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Economic Forecasting Project
Donald Ratajczak, Director
College of Business Administration
Michael H. Mescon, Dean

Georgia State University is a unit of the University System of Georgia.

EXPANSION STUTTERS BUT RECESSION AVOIDABLE
IN NEXT TWO YEARS

Dr. Donald Ratajczak
Director
Economic Forecasting Project
Georgia State University

Commentary

Recent Activity

According to forecasts of monthly GNP, economic activity declined in September and may have generated minimal growth in October. Because real GNP was not above third quarter averages by the end of October, estimates that economic activity will be expanding more than 4% in the fourth quarter are highly unlikely.

Some analysts believe that activity slowed in September and October because of strike disruptions in the automobile industry. To be sure, a strike against GM reduced economic activity by about 0.3% at annual rates in the third quarter. The indirect impact of work stoppages in Canada probably eliminated another two-tenths of a percent during the fourth quarter. However, most of the production weakness in those two months was in industrial materials, not in consumer durables. Indeed, industrial production would have declined in September even if there was no GM strike.

The direct source of the economic weakness in September and October is an inventory correction, as observed by the slowing in manufacturing inventory from a 1.3% rate of increase in August to only a 0.6% rate of gain in September. This decline in inventories was necessary to remove excesses that had developed earlier in the summer. The actual cause of the economic slowdown, therefore, was the surprising slowing in consumer activity during July and August. That slowing was not related to any weakening in purchasing power, any loss of confidence in the economy as a result of inflationary pressures, rising interest rates, or any sharp decreases in wealth values. Indeed, savings rates were above the long-term average during the summer months while the ratio of wealth to outlays remained above a three-year norm. Apparently, consumer spending grew so briskly earlier in the expansion, where shipments of appliances grew 30% annually and furniture showed a 6.2% surge in the month of June alone, that some slowing was likely. As soon as consumer slowing developed, producers reacted to moderating orders by reducing production. Thus, the U. S. economy has been in a mini-inventory correction during September and October.

As in all inventory corrections, loan demand weakened significantly and interest rates declined. During the last six weeks, interest rates for commercial paper have been below the federal funds rate. In effect, the Federal Reserve has been restraining reserve growth to moderate an otherwise sharply falling interest rate environment. This Federal Reserve action led to a decline in the money stock. During October, the ratio of M1 to the monetary base fell to historically low levels. This strongly suggests that the demand for money

was the dominant factor in determining the stock of money during that month. However, claims that weakness in the money stock will lead to a recession by the middle of 1985 are not justified. Whatever the statistical evidence is over longer periods of time, fluctuations in the money stock at this time are reflecting economic conditions rather than causing them sometime in the future.

Indeed, two factors strongly suggest that the economy will not weaken dramatically by middle 1985. First, producers are reacting with unusual speed to eliminate inventory excesses developing from temporary shifts in consumer activity. Traditionally, producers would wait four or five months following a change in final sales before altering production plans. By reacting in less than two months, inventory excesses simply cannot become as great as otherwise could develop. Having mini-inventory adjustments precludes the need to have full-scale inventory adjustments. Thus, one of the major factors leading to recessionary behavior is reduced.

Second, high real rates of interest have restrained housing activity. Traditionally, housing would surge to 2.5 million units early in an economic recovery only to collapse to the vicinity of one million units by the time the next recession has begun. This time, however, housing starts peaked at two million units in the first quarter of 1984. Although high real rates of interest probably have restrained the growth of household formations, our evidence suggests that this restraint is not much more than 100,000 households per year. Because high real rates of interest have shaved 500,000 housing units from the housing peak at a cost of only 100,000 average household formations, the housing trough should be higher than in other housing cycles. Indeed, housing probably will be reaching its low point for this cycle during the first quarter of 1985, above 1.4 million housing starts. Therefore, housing will not be a major contributor to economic weakness after the first quarter of 1985.

Consumer activity rebounded in September but slumped again in October. Part of the weakness in October was related to inventory shortages in the automobile industry. As production of domestic units moves above eight million at annual rates in November and December, these inventory problems should be eliminated and sales should move back above 10.5 million units. However, the consumer also was reluctant to purchase general merchandise in October. Apparently, earlier weakness in housing starts is continuing to have a negative impact upon sales related to the furniture, carpet, and appliance industries. No early rebound is expected in any of these sectors. Also, retailers placed the highest price increase on their apparel goods during September of any month in the past four years. Such aggressive pricing in an environment where inflation has remained subdued was strongly resisted by the consumer. More moderate pricing and the use of sales should bring the consumer back into the stores before Christmas, although the retailer probably will not earn as much from these Christmas sales as originally expected. Certainly, orders for winter merchandise will be much less aggressive as a result of consumer caution in October.

Although the economic expansion came to a halt in September and October, several favorable economic events were developing. The inventory correction led to significant easing in interest rate pressures. This will have some adverse effect upon the growth of personal income, as property income grows at single-digit rates in the first half of 1985. However, the housing market will be poised to rebound smartly after the first quarter, while fixed investment will generate a healthy rate of expansion in 1985. Also, declining interest rates appear to reduce the fervor of foreign investors for American assets. While

this has had some adverse effects upon equity values and has moderated the degree to which interest rates have declined, especially for long-term corporate debt instruments, the moderating dollar may prevent net exports from continuing to deteriorate sharply in 1985.

While a declining dollar almost certainly will have some inflationary fallout, (our estimates suggest that inflation has been restrained by two percentage points per year while the dollar has been appreciating), the acceleration in inflationary pressures will be from a low base. Commodity inflation has been non-existent in the United States during the past six months. Although the OPEC nations momentarily have restricted production in an effort to firm oil prices during the heating season, prices for light crude almost certainly will fall by a few dollars by next spring. Indeed, commodity inflation may not grow by more than 2% in 1985 even with a moderately declining dollar. Of course, more substantial inflationary pressures will appear in 1986, but this sustained period of moderate inflationary pressures should lower the wage anticipations of most workers and moderate prices for most capital equipment. Inflation should not accelerate dramatically for the remainder of this decade. (Our five year price projection shows a peak inflation rate occurring in 1987 that is slightly more than 7%. This compares with an average inflation rate of 8.5% for the decade of the 1970s.)

Although payrolls expanded by a surprising 441,000 in October, more than 130,000 of that gain was in retail trade. Merchandisers anticipated a strong Christmas and accumulated both inventories and workers to exploit the anticipated sales prospects. As sales have not been as strong as anticipated, little further gain in retail payrolls is expected. Moreover, other industries added payrolls but reduced the length of the workweek. The index of hours worked in October declined slightly. Employment now will grow much more slowly through the fall. Indeed, the unemployment rate is expected to increase slightly in the next few months.

Although the stock market showed some improvement in recent weeks, all that improvement can be explained by declining interest rates. Once the interest rate effect on equity values is eliminated, the stock market seems to be indicating that profitability remains under significant stress. Profits of commodity producing industries are under stress, as foreign competition is preventing any price increases for most commodities. The service sector is showing a more normal profit growth pattern. As interest rates begin to firm following both the termination of the mini-inventory adjustment and the subsequent expansion of the money stock as the Federal Reserve maintains a relatively low federal fund target, equity values will face downward pressures. The Dow Jones average may actually fall to the vicinity of 1100 early in 1985 before rebounding again later in the year.

Although interest rates are not expected to fall further, and probably will be trending upward slightly early in 1985, any dramatic upward movement in interest rates is not likely. The prime rate probably will fall to 11.5% before the end of 1984 and then rebound above 13% by the middle of 1985. A downward trend in the rate then should reappear before the end of the year. Longer term bonds probably will increase their yields by a full percentage point during the first half of 1985. Rates then are expected to be trending downward toward the end of the year.

More stuttering in the economic expansion is expected to materialize as 1985 unfolds. The continuation of high real rates of interest means that

previous producer methods of smoothing the production and order cycle are too expensive. Quick production reactions to changes in orders will continue to materialize. However, this will prevent the accumulation of economic excesses that normally leads to more substantial economic corrections. There is little likelihood that any of the stutters in 1985 will be of sufficient depth and duration to qualify as a recession. Of course, shifts in economic policy could lead to a more substantial economic downturn than currently is likely, but such policy errors are not anticipated.

Recent Performance

Real economic activity slowed more substantially than anticipated during the summer months. As an even more extensive GM strike was anticipated than materialized, that could not be the source of the error. Prices increased in line with anticipations, although a more vigorous price upturn in the service component than expected caused slightly greater erosion of consumer purchasing power than had been anticipated.

About half the third quarter forecasting error was in consumption, where an unexpected slowing in consumer spending materialized. This spending shortfall was not because of weaknesses in income flows, for disposable income grew at anticipated levels. Rather, the consumer decided to take time out in order to build up savings. As no obvious economic explanation for this consumer shortfall is available (the ratio of wealth to outlays remained well-above three, income growth greatly exceeded consumption intentions, consumer sentiment indices all remained favorable, and economic indicators which alter consumer spending psychology, such as interest rates, unemployment, and inflation, all remained well-behaved), the shortfall in consumer spending must be mostly related to those random fluctuations that cannot be readily modeled. However, a shortfall of automobile inventories probably transferred some consumer spending from the summer months into the latter part of the fall and into the winter months. Thus, a portion of the rise in third quarter savings may have been unintended. Therefore, a sharper decline in savings should be expected to materialize in 1985 than otherwise would have developed.

The other factor contributing to third quarter weakness was the enormous expansion in imports. Continuing increases in the dollar's value have continued to erode the competitiveness of domestic industries. The magnitude of the dollar's strength was not anticipated. Apparently, foreign investors believe that growth opportunities are more significant in the United States than in their host countries, especially in Europe. Moreover, most foreign portfolio managers continue to believe that interest rates in the United States soon will rise despite the fact that they are actually declining. This anticipation that interest rates soon will rise reduces the perceived risk investors have in holding their short-term investment funds in American financial assets. According to this reasoning, the dollar will remain strong and net exports will continue to drag down economic activity, until the consensus interest rate forecast sees declining rates ahead. At that point, foreign investors should withdraw funds. Paradoxically, such a reversal in foreign investor sentiment could diminish the downward movement of interest rates in the United States and might even cause interest rates to move higher again later in 1985.

Because of the dollar's continuing strength, inflationary pressures have been marked downward over the next eight quarters. Inflation still is expected to intensify as this expansion matures, but the magnitude of increasing price

pressures is expected to be restrained until the latter part of 1985 as a result of minimal changes in commodity prices in the United States. This restraint on commodity prices is directly related to the dollar's strength.

Lower interest rates and weaker economic activity ahead as a result of the reduced share of domestic sales that will be provided by domestic producers, has caused a significant moderation in interest rate movements into 1986. While interest rates still are expected to trend modestly higher in the first half of 1985, following a termination of the present inventory correction, no substantial increase in interest rates now is anticipated. This interest rate pattern obviously has beneficial effects upon housing projections later in the year. Also, the dollar's value is expected to slip in the latter half of 1985 as interest rate differentials narrow. However, the moderation in interest rates also means that the property income component of personal income, which has been growing at a 25% annual rate, will slow to single-digit growth rates. This will place a significant squeeze upon the growth of disposable income. Thus, the consumer will be hard-pressed to even maintain the reduced consumer growth paths that had been projected three months ago. In order to do so, the consumer will be forced to sharply reduce their savings rates. More significant weakness is possible in the consumer durable areas, such as furniture and automobiles, during the latter part of 1985 than is currently contained in this forecast. Recessionary tendencies are possible at that time, especially if overbuilding in investment goods requires a significant retrenchment in that part of the economy.

The combined influence of slower inflationary pressures and a slightly weaker growth path than originally projected has led to lower estimates of wage growth than in previous forecasts.

Slower growth in economic activity with reduced inflationary pressures from commodity producing industries has led to further moderation in the growth of corporate profits. Despite more moderate increases in interest costs, a significant profit squeeze is expected during the first part of 1985 in the commodity producing industries. Fortunately, more moderate increases in interest rates are sufficient to offset the adverse impact upon equity values from reduced corporate profitability. Equity values are expected to be weak, especially in the first half of 1985, when the Dow Jones may reach a low slightly above 1100. The stock market then is expected to make new highs early in 1986 if a recession can be avoided.

During the summer months, equity values were slightly higher than anticipated despite lower corporate profits. However, slightly lower interest rates than projected three months ago appear to be responsible for this favorable stock market performance. (Also, the stock market was 100 points below values predicted by our formula when our forecast was put together right before the 130 point summer rally. Stock market values currently are almost precisely on the values anticipated by our estimated relationships.)

Interest rates were almost precisely at expected values during the third quarter, but a slowing in money growth below expectations must have led to more favorable conditions in credit markets late in the quarter than had been expected. Apparently, the Federal Reserve was more intent in creating orderly interest rate changes than in permitting weakening economic activity to fall completely upon reduced interest rates. The result was slower growth in the money stock than otherwise would have developed. Now the Federal Reserve probably will be slow to permit interest rates to move up so the inventory

adjustment ends. Thus, a more sustained period of moderate interest rate movements now is expected in the first half of 1985. It should be noted, however, that this Federal Reserve preoccupation with interest rate movements leads to changes in the money stock that reflect underlying economic conditions instead of causing the future economic changes. Undoubtedly, the economy in the first half of 1985 would have been growing more vigorously if the Federal Reserve had maintained its money targets and permitted interest rates to fall sufficiently to reflect the sluggishness developing in the economy. However, there is little evidence that the slowing in the money stock in September and the actual decline in October was an independent economic event causing future economic results.

As a result of the recent performance, we have significantly altered the behavioral reaction of the money stock to changing economic conditions. The impact of this change is to cause greater volatility in money growth but reduce volatility in interest rate movements. We continue to seek reliable models for anticipating movements in currency values. Greater reliance has been placed upon interest rate expectations in dictating those currency movements. Failure to fully anticipate currency movements has led to higher estimates of inflation than appear to be materializing and more favorable net export positions than are developing. Indeed, most of the weakness in economic activity during 1985 is expected to be the result of continued deterioration in the percentage of domestic final sales that are being supplied by domestic producers.

Assumptions

As mentioned above, Federal Reserve's behavior has been altered to tilt more significantly toward moderating rates of change in interest rates at the expense of increased volatility in money growth. As economic activity has been weaker than anticipated in the latter part of 1984, this means that money growth will be lower than expected during that period of time. When activity heats up early in 1985, most of that more rapid economic activity will be felt in money growth rather than interest rate movements. The effects of this behavioral assumption can be seen in Table 6.

Now that the automobile contracts have been approved, no further labor disruptions are assumed in our forecast for the next two years. Because the strike impact was minimal upon industrial production, and the coal miners were able to settle without any significant work stoppage, no post-strike rebound is anticipated during the first quarter of 1985. The first quarter of 1985 also is impacted by an additional national holiday that reduces the available hours worked. As seasonals are not expected to fully incorporate the impact of this holiday, activity is expected to be lower during the first quarter and higher during the second quarter, much as if a strike had occurred during that holiday.

Some of the other explicit assumptions are as follows:

- a) Social Security taxes are expected to be 7.05% for both employer and employee on a wage base of \$39,600 in 1985. In 1986 Social Security is expected to be 7.15% for both employer and employee on a projected wage base of \$41,400. Cost of living adjustments for Social Security recipients are assumed to be 3.5% in the first quarter of 1985 and 4.6% in the first quarter of 1986.
- b) Military and civilian government pay was expected to remain on a calendar year basis with wage increases of 3.5% in 1985 and 5.5% in

1986. The military was expected to increase to 2.307 million by the end of 1986 while civilian payrolls were expected to increase by 22,000.

- c) Excise taxes were preserved on telephone bills and reduced on tobacco products to eight cents per package in 1985. A \$2.50 increase in excise taxes was expected on each gallon of hard liquor in 1985. The post office is expected to increase the first class stamp to 22¢ in April 1985.
- d) Contract oil prices are expected to fall to \$27 per barrel for light crude in April 1985. No further price changes are expected in light or heavy crude through 1986. Spot prices are expected to average below contract prices through the first half of 1985.
- e) World trade appears to have grown a surprising 10% in 1984 and is now expected to grow 6% in 1985. A return to 5% growth in 1986 is then projected. The U. S. share of world trade is expected to fall slightly in 1985 but begin to increase in 1986 following a 10% reduction in the trade weighted value of the dollar in both 1985 and 1986.

CONCLUSION & SUMMARY

A moderate inventory correction has created economic sluggishness both in the third and fourth quarters of 1984. Consumer activity is expected to revive for Christmas and then fall again in 1985. More significantly, deteriorating competitiveness in American commodity producing industries is expected to create a moderate profit squeeze early in 1985 and a reduction in the share of final sales that is being supplied by domestic producers, at least until 1986. As a result, economic activity is expected to grow at a subdued rate through 1985. Conditions leading to a mild recession could materialize in the latter part of 1985, but no recession currently is anticipated. Increasing housing activity in the latter part of 1985 and an improvement in the net export position of the United States late that year should be sufficient to offset further deterioration in the growth of fixed investment and consumer spending at that time.

Inflation is expected to accelerate in the second half of 1985, but the current strong dollar should be sufficient to prevent any significant upsurge in commodity inflation through the first half of the year. However, increases in service inflation and moderate upward trends in unit labor costs will cause the overall inflation rate to rise in the latter half of 1985 and continue to move upward moderately in 1986. An inflationary surge is not contemplated even after the dollar begins sliding in value. However, the most favorable environment for restraining inflation will have passed by the middle of 1985.

Interest rates probably will move up modestly in the first half of 1985, but the degree of interest rate deterioration is not expected to be as large as expected before the sluggish performance of the economy developed in the latter part of 1984. The prime rate probably will not rebound beyond 13% in the second quarter of 1985 while long-term government interest rates probably will peak at less than 13% by mid-year. Interest rates then should be trending downward in the latter part of 1985 and into 1986. The most favorable time to buy bonds probably will develop in the spring of 1985, but investment managers with longer-term horizons should be increasing their bond portfolios at the present time. In the next twelve months, the total after-tax return on bond investments

will be approximately 8%. The after-tax return on money market accounts will only be about 6% assuming a 50% tax bracket. The after-tax return on tax exempt instruments should approach 11%, as a moderate improvement in capital gains is anticipated in the latter part of the year. Returns on equity values are not expected to be as favorable, as capital gains should be less than 5% next year, while dividend yields are only about 5%. However, investors probably should be fully placed in equity and bond holdings by the second half of 1985.

At the present time, a recession still appears to be unlikely in the latter part of 1985 and early in 1986. However, more restrictive policies than currently anticipated along with a significant deficit reduction fiscal package could tilt the outlook toward recession by that time. There is little prospect that a return to vigorous economic growth is likely, at least until American commodity producing industries increase their competitive position relative to their foreign competition. This will almost certainly require some downward adjustment in the value of the dollar, but that downward adjustment is not expected to appreciably alter trade flows until the end of 1985.

Table 1.

Georgia State University
College of Business Administration
Economic Forecasting Project
November 1984

U.S. Expenditures for 1984-II and 1984-III with Forecasts for 1984-IV through 1986-III

	1984			1985				1986			Percent Change			Annual		
	II	III	IV	I	II	III	IV	I	II	III	83-84	84-85	85-86	1984	1985	1986
1. <u>Personal Consumption Expenditures</u>	2332.7	2359.3	2413.5	2464.9	2513.1	2554.0	2604.2	2646.0	2696.8	2752.3	8.8	8.0	7.6	2345.5	2534.1	2725.4
2. Autos and Parts	152.3	150.8	156.1	161.9	163.2	161.8	162.3	161.2	163.3	164.4	17.3	7.0	0.7	151.7	162.3	163.5
3. Other Durable Goods	168.4	166.5	168.2	169.3	171.0	172.6	174.8	176.8	179.3	182.0	10.7	3.2	5.0	166.6	171.9	180.6
4. Nondurable Goods	858.3	863.3	883.2	898.5	913.6	926.5	943.3	956.2	971.1	989.4	7.5	6.8	6.6	861.5	920.5	981.0
5. Services	1153.7	1178.7	1206.0	1235.2	1265.3	1293.1	1323.8	1351.8	1383.1	1416.5	8.5	9.7	9.3	1165.7	1279.4	1400.4
6. <u>Gross Private Domestic Investment</u>	627.0	660.5	658.0	659.6	665.3	680.5	687.2	687.8	716.1	728.5	36.2	4.8	6.6	642.3	673.2	717.7
7. Residential Structures	155.6	156.6	154.4	149.0	150.0	158.7	167.2	172.4	177.7	180.0	16.8	1.1	15.2	154.5	156.2	179.9
8. Other Structures	150.0	151.6	156.1	158.6	161.1	163.2	165.0	167.5	171.0	173.7	15.6	8.0	6.2	150.0	162.0	172.0
9. Producers' Durables	270.7	279.9	288.1	296.3	301.4	305.9	311.8	318.3	324.6	331.1	22.7	11.0	7.9	273.9	303.9	327.9
10. Change in Inventories	50.6	72.4	59.4	55.7	52.8	52.7	43.2	29.6	42.8	43.7	-	-	-	64.1	51.1	38.0
11. <u>Net Export of Goods and Services</u>	-58.7	-85.5	-94.8	-96.6	-96.7	-97.5	-93.8	-85.1	-80.5	-82.0	-	-	-	-72.6	-96.2	-81.2
12. Exports	362.4	375.5	382.8	394.7	406.5	416.7	429.5	444.8	460.3	468.6	10.1	11.3	12.7	369.9	411.9	464.2
13. Imports	421.1	461.0	477.6	491.3	503.2	514.2	523.3	529.9	540.8	550.6	26.1	14.8	7.4	442.5	508.0	545.4
14. <u>Government Purchases of Goods and Services</u>	743.7	766.9	785.8	805.3	821.7	837.9	853.6	876.4	890.2	905.9	9.4	10.6	8.3	750.2	829.6	898.8
15. Federal	296.4	307.7	317.5	327.7	335.1	342.2	349.4	362.7	367.3	373.4	10.2	13.9	9.6	297.3	338.6	371.2
16. National Defense	220.8	225.4	232.1	241.8	247.9	254.9	260.4	271.3	276.3	281.7	11.2	12.7	11.2	222.9	251.3	279.3
17. Other, including NASA	75.6	82.3	85.4	85.9	87.2	87.3	89.0	91.4	91.0	91.7	7.3	17.4	5.2	74.4	87.4	91.9
18. State and Local	447.4	459.2	468.3	477.6	486.6	495.7	504.2	513.7	522.9	532.5	8.9	8.4	7.5	452.9	491.0	527.7
19. <u>Gross National Product</u>	3644.7	3701.2	3762.5	3833.2	3903.4	3974.9	4051.2	4125.1	4222.6	4304.7	10.9	7.5	8.1	3665.4	3940.7	4259.9
20. Amount of Change	91.4	56.5	61.3	70.7	70.2	71.5	76.3	73.9	97.5	82.1	-	-	-	330.8	288.7	336.1
21. % Change*	10.7	6.3	6.8	7.7	7.5	7.5	7.9	7.5	9.8	8.0	-	-	-	10.9	7.5	8.1
22. % Real Change*	7.1	2.7	2.3	2.8	3.1	2.6	2.7	1.1	4.1	2.1	-	-	-	6.8	3.0	2.5
23. % Price Change*	3.3	3.6	4.4	4.8	4.2	4.8	5.1	6.4	5.5	5.8	-	-	-	3.8	4.4	5.5
24. Implicit Price Deflator	222.40	224.36	226.81	229.51	231.90	234.62	237.54	241.23	244.46	247.92	3.8	4.4	5.5	223.54	233.39	246.15
25. Change in Final Sales	114.6	34.7	74.3	74.4	73.1	71.6	85.8	87.5	84.3	81.2	-	-	-	-	-	-
26. GNP in 1972 Dollars	1638.8	1649.6	1658.9	1670.2	1683.2	1694.2	1705.5	1710.0	1727.3	1736.3	6.8	3.0	2.5	1639.6	1688.3	1730.4

Table 2.

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U.S. Real Expenditures for 1984-II and 1984-III with Forecasts for 1984-IV through 1986-III

	1984			1985				1986			Percent Change			Annual		
	II	III	IV	I	II	III	IV	I	II	III	83-84	84-85	85-86	1984	1985	1986
1. <u>Personal Consumption</u>	1064.2	1064.6	1076.2	1087.2	1096.4	1100.5	1107.3	1109.9	1116.2	1122.6	5.3	3.3	2.0	1062.3	1097.9	1119.6
2. <u>Durable Goods</u>	178.6	177.0	178.9	181.1	182.2	181.3	181.5	180.5	181.3	181.5	12.4	2.5	-0.2	177.1	181.5	181.3
3. <u>Nondurable Goods</u>	396.6	396.1	401.6	405.8	409.5	411.5	414.2	414.9	416.7	419.2	5.1	3.8	1.9	395.4	410.3	418.2
4. <u>Services</u>	488.9	491.5	495.7	500.3	504.7	507.7	511.6	514.5	518.2	521.9	3.0	3.3	2.8	489.9	506.1	520.1
5. <u>Gross Private Domestic Investment</u>	283.9	299.2	296.2	295.4	295.8	300.6	301.2	297.2	305.5	307.0	31.8	2.4	2.0	291.2	298.3	304.3
6. <u>Residential Structures</u>	60.8	61.2	60.0	57.6	57.4	60.2	62.7	63.6	64.7	64.6	12.9	-1.9	9.4	60.7	59.5	65.0
7. <u>Other Structures</u>	56.8	57.1	58.3	58.8	59.2	59.5	59.6	59.9	60.2	60.3	15.0	4.8	1.6	56.6	59.3	60.2
8. <u>Producers' Durables</u>	146.0	149.7	152.7	155.8	157.8	159.1	160.9	162.5	164.0	165.3	20.6	7.8	4.0	146.9	158.4	164.7
9. <u>Change in Inventories</u>	20.3	31.2	25.2	23.2	21.4	21.8	18.0	11.2	16.6	16.8	-	-	-	27.1	21.1	14.6
10. <u>Net Export of Goods and Services</u>	-11.4	-22.7	-26.4	-27.1	-26.5	-26.8	-25.1	-21.3	-19.5	-19.8	-	-	-	-17.2	-26.4	-19.6
11. <u>Exports</u>	144.7	150.2	153.3	157.6	161.3	163.4	166.2	169.4	172.7	173.1	6.3	9.3	6.6	148.3	162.1	172.8
12. <u>Imports</u>	156.2	172.8	179.7	184.7	187.8	190.2	191.3	190.7	192.2	192.9	30.4	13.9	2.1	165.5	188.5	192.5
13. <u>Government Purchases of Goods & Services</u>	307.1	308.4	312.9	314.7	317.5	319.9	322.1	324.2	325.1	326.5	3.9	5.1	2.4	303.2	318.6	326.1
14. <u>Federal</u>	123.2	127.4	130.7	131.7	133.6	135.2	136.7	138.1	138.5	139.2	6.2	8.9	3.6	123.4	134.3	139.1
15. <u>State & Local</u>	178.9	181.1	182.2	183.0	183.9	184.7	185.4	186.1	186.6	187.3	2.4	2.4	1.5	179.9	184.3	187.0
16. <u>Gross National Product</u>	1638.8	1649.6	1658.9	1670.2	1683.2	1694.2	1705.5	1710.0	1727.3	1736.3	6.8	3.0	2.5	1639.6	1688.3	1730.4
17. <u>Final Demand</u>	1618.5	1618.5	1633.7	1647.0	1661.8	1672.4	1687.5	1698.8	1710.7	1719.5	4.8	3.4	2.9	1612.5	1667.2	1715.8
18. <u>Private Domestic Product</u>	1462.0	1471.9	1479.4	1490.2	1502.6	1512.6	1521.9	1525.3	1542.7	1551.7	7.8	3.1	2.5	1461.2	1506.8	1545.2

Table 3.

Georgia State University
College of Business Administration
Economic Forecasting Project
November 1984

Income Related U.S. GNP Components for 1984-II and 1984-III with Forecasts for 1984-IV through 1986-III

	1984			1985				1986			Percent Change			Annual		
	II	III	IV	I	II	III	IV	I	II	III	83-84	84-85	85-86	1984	1985	1986
1. <u>Compensation of Employees</u>	2159.2	2191.2	2226.8	2272.9	2310.7	2350.0	2390.1	2443.1	2488.5	2535.3	9.5	7.3	7.7	2172.7e	2330.9	2511.4
2. <u>Wage and Salary</u>	1793.3	1818.4	1847.1	1879.1	1909.8	1941.2	1973.5	2014.1	2051.0	2089.0	8.7	6.8	7.5	1803.7	1925.9	2069.5
3. <u>Manufacturing</u>	432.2	435.9	439.9	444.9	450.3	455.0	460.1	466.3	474.3	482.2	9.6	4.5	5.5	433.2	452.6	477.6
4. <u>Other Commodity-Producing</u>	134.8	136.8	137.4	137.8	139.6	142.5	145.2	148.4	151.6	154.4	8.8	4.6	8.2	135.1	141.3	152.9
5. <u>Distributive Industries</u>	429.5	436.1	443.7	451.0	458.5	465.8	473.8	482.3	491.1	500.7	8.4	7.0	7.2	432.1	462.3	495.8
6. <u>Service Industries</u>	449.3	457.6	468.8	479.4	491.1	502.6	514.9	527.2	539.8	552.5	9.8	9.6	9.9	453.4	497.0	546.4
7. <u>Military</u>	46.7	46.8	47.0	49.5	49.7	49.9	50.0	53.2	53.4	53.6	7.2	6.4	7.4	46.8	49.8	53.5
8. <u>Civilian Government</u>	300.8	305.1	310.3	316.5	320.6	325.4	329.5	336.7	340.8	345.6	6.7	6.5	6.3	303.2	323.0	343.3
9. <u>Supplements</u>	365.9	372.8	379.7	393.8	400.9	408.8	416.6	429.0	437.5	446.3	13.1	9.8	9.1	369.0	405.0	441.9
10. <u>Proprietors' Income</u>	149.8	155.9	158.1	153.5	156.6	162.0	165.3	161.1	166.1	169.5	27.1	3.0	5.0	154.7	159.4	167.4
11. <u>Business & Professional</u>	126.3	127.5	129.5	130.7	132.0	134.2	136.1	135.2	137.8	139.9	17.2	5.4	4.1	126.5	133.3	138.7
12. <u>Farm</u>	23.4	28.4	28.6	22.8	24.6	27.8	29.2	25.9	28.3	29.6	104.5	-7.4	10.0	28.2	26.1	28.7
13. <u>Rental Income</u>	62.0	63.0	64.0	65.1	66.1	67.2	68.3	69.4	70.5	71.7	7.2	6.7	6.6	62.5	66.7	71.1
14. <u>Net Interest</u>	282.8	292.5	301.3	305.6	309.3	317.9	326.3	334.8	343.1	353.2	11.4	10.1	10.7	285.9	314.8	348.4
15. <u>Corporate Profits Adj.</u>	291.1	284.7e	287.9	293.7	298.4	301.4	308.9	304.8	314.2	317.4	26.7	5.4	4.9	285.3	300.6	315.4
16. <u>National Income</u>	2944.8	2987.3e	3038.1	3090.8	3141.1	3198.5	3258.9	3313.2	3382.4	3447.1	11.6	7.1	7.6	2960.9	3172.3	3413.7
17. <u>Indirect Business Tax</u>	301.3	306.4	312.6	320.3	326.5	331.9	337.9	344.0	349.9	356.3	8.4	8.3	7.4	304.0	329.2	353.2
18. <u>Capital Consumption Adj.</u>	-10.3	-17.7	-22.7	-27.3	-29.4	-31.1	-31.5	-31.1	-30.0	-28.3	-	-	-	14.4	-29.8	-29.5
19. <u>Capital Consumption Alw.</u>	410.3	423.7	436.5	449.2	461.8	473.3	484.9	496.2	507.3	518.1	13.6	12.0	9.8	417.3	467.3	513.1
20. <u>Business Transfers</u>	17.1	17.5	17.9	18.4	18.8	19.3	19.8	20.2	20.7	21.2	10.9	10.4	9.9	17.3	19.1	21.0
21. <u>Net Govt. Subsidies</u>	-9.6	-7.0	-8.4	-8.2	-5.9	-7.0	-7.7	-8.0	-7.7	-7.3	-	-	-	-12.9	-7.2	-7.8
22. <u>Statistical Discrepancy</u>	-9.0	-9.0e	-6.5	-10.0	-9.5	-10.0	-11.1	-9.4	0.0	-2.4	-	-	-	-5.6	-10.2	-3.6
23. <u>Gross National Product</u>	3644.7	3701.2	3762.5	3833.2	3903.4	3974.9	4051.2	4125.1	4222.6	4304.7	10.9	7.5	8.1	3665.4	3940.7	4259.9

Table 4.

Georgia State University
College of Business Administration
Economic Forecasting Project
November 1984

Derivation of U.S. Personal Income for 1984-II and 1984-III with Forecasts for 1984-IV through 1986-III

	1984			1985				1986			Percent Change			Annual		
	II	III	IV	I	II	III	IV	I	II	III	83-84	84-85	85-86	1984	1985	1986
1. <u>National Income</u>	2944.8	2987.3e	3038.1	3090.8	3141.1	3198.5	3258.9	3313.2	3382.4	3447.1	11.6	7.1	7.6	2960.9	3172.3	3413.7
2. Less: Corp. Profits Adj.	291.1	284.7e	287.9	293.7	298.4	301.4	308.9	304.8	314.2	317.4	26.7	5.4	4.9	285.3	300.6	315.4
3. Social Insurance	304.2	308.1	312.6	332.7	336.8	341.9	347.2	361.5	367.2	373.6	12.2	11.0	9.0	306.0	339.7	370.4
4. Plus: Government Transfers	398.1	402.0	405.5	413.8	417.3	421.4	426.7	438.0	442.3	447.7	2.8	5.0	4.7	400.1	420.0	445.3
5. Old Age, Survivors, et	235.2	238.9	241.3	248.3	250.8	253.1	256.4	265.8	268.3	271.1	6.9	6.5	7.1	236.9	252.2	270.0
6. Unemployment Benefits	15.8	14.9	14.5	14.0	13.6	13.6	14.0	14.1	14.1	14.5	-40.6	-11.0	4.3	15.5	13.8	14.4
7. Veterans' Benefits	16.6	16.8	16.9	17.0	17.2	17.2	17.4	17.5	17.7	17.8	0.6	3.0	3.5	16.7	17.2	17.8
8. Employees' Retirement	63.1	64.0	64.9	66.1	67.0	68.1	69.0	70.2	71.2	72.4	6.9	6.3	6.2	63.6	67.6	71.8
9. A.F.D.C.	14.9	14.8	14.8	15.4	15.3	15.3	15.4	16.0	16.1	16.1	4.9	3.4	4.5	14.9	15.4	16.1
10. Other	52.5	52.6	53.1	53.0	53.4	54.1	54.5	54.4	54.9	55.8	2.7	2.3	2.8	52.6	53.8	55.3
11. Business Transfers	17.1	17.5	17.9	18.4	18.8	19.3	19.8	20.2	20.7	21.2	10.9	10.4	9.9	17.3	19.1	21.0
12. Interest Transfers	142.8	154.7	163.7	168.4	173.7	177.6	182.5	187.5	192.5	197.7	25.0	17.4	11.2	149.6	175.6	195.2
13. Personal Dividends	77.2	78.5	81.3	83.5	85.3	86.9	87.6	89.2	90.6	92.3	10.9	10.0	6.4	78.0	85.8	91.3
14. Equals: <u>Personal Income</u>	2984.6	3047.7	3106.0	3148.5	3201.0	3260.4	3319.4	3381.8	3447.1	3515.0	9.9	7.2	7.7	3014.7	3232.3	3480.6
15. Less: Personal Tax Payments	430.3	442.9	456.9	462.3	471.9	483.7	497.9	501.5	512.5	528.7	8.1	9.6	8.9	437.1	479.0	521.7
16. Equals: <u>Disposable Personal Income</u>	2554.3	2604.8	2649.1	2686.2	2729.1	2776.7	2821.5	2880.3	2934.6	2986.3	10.1	6.8	7.5	2577.6	2753.3	2958.9
17. Less: Consumption	2332.7	2359.3	2413.5	2464.9	2513.1	2554.0	2604.2	2646.0	2696.8	2752.3	8.8	8.0	7.6	2345.5	2534.1	2725.4
18. Less: Other Outlays	76.7	80.8	84.6	87.2	90.2	92.9	95.8	98.4	101.4	104.2	19.2	16.1	12.5	78.8	91.5	102.9
19. Equals: <u>Personal Savings</u>	144.8	164.7	151.0	134.1	125.8	129.8	121.5	135.9	136.4	129.8	29.8	-16.7	2.5	153.3	127.7	130.9
20. Savings Rate (%)	5.7	6.3	5.7	5.0	4.6	4.7	4.3	4.7	4.6	4.4	-	-	-	6.0	4.6	4.4

Table 5.

Georgia State University
College of Business Administration
Economic Forecasting Project
November 1984

U.S. Federal Government Activity for 1984-II and 1984-III with Forecasts for 1984-IV through 1986-III

	1984			1985				1986			Percent Change			Annual		
	II	III	IV	I	II	III	IV	I	II	III	83-84	84-85	85-86	1984	1985	1986
1. <u>Government Receipts</u>	<u>704.3</u>	<u>713.7e</u>	<u>729.7</u>	<u>755.4</u>	<u>766.8</u>	<u>781.3</u>	<u>799.2</u>	<u>813.1</u>	<u>830.4</u>	<u>849.2</u>	<u>10.5</u>	<u>9.5</u>	<u>8.3</u>	<u>708.5</u>	<u>775.7</u>	<u>840.3</u>
2. <u>Personal Tax & Non-Tax</u>	<u>310.7</u>	<u>321.9</u>	<u>333.5</u>	<u>336.4</u>	<u>343.3</u>	<u>352.1</u>	<u>363.0</u>	<u>363.6</u>	<u>371.2</u>	<u>384.1</u>	<u>7.4</u>	<u>10.0</u>	<u>8.6</u>	<u>316.9</u>	<u>348.7</u>	<u>378.7</u>
3. <u>Corporate Profits Tax</u>	<u>75.6</u>	<u>69.6e</u>	<u>69.3</u>	<u>70.4</u>	<u>70.7</u>	<u>71.5</u>	<u>73.5</u>	<u>72.1</u>	<u>76.9</u>	<u>77.0</u>	<u>20.2</u>	<u>-0.6</u>	<u>6.7</u>	<u>71.9</u>	<u>71.5</u>	<u>76.3</u>
4. <u>Indirect Business Tax</u>	<u>55.9</u>	<u>57.1</u>	<u>58.0</u>	<u>60.4</u>	<u>61.2</u>	<u>62.0</u>	<u>62.6</u>	<u>63.9</u>	<u>64.3</u>	<u>64.8</u>	<u>7.4</u>	<u>9.4</u>	<u>4.3</u>	<u>56.3</u>	<u>61.6</u>	<u>64.6</u>
5. <u>Contributions for Social Security</u>	<u>262.0</u>	<u>265.1</u>	<u>268.9</u>	<u>288.2</u>	<u>291.6</u>	<u>295.7</u>	<u>300.1</u>	<u>313.5</u>	<u>318.0</u>	<u>323.3</u>	<u>12.7</u>	<u>11.6</u>	<u>9.1</u>	<u>263.4</u>	<u>293.9</u>	<u>320.7</u>
6. <u>Government Expenditures</u>	<u>868.0</u>	<u>888.8</u>	<u>910.0</u>	<u>929.6</u>	<u>940.4</u>	<u>954.1</u>	<u>969.3</u>	<u>996.3</u>	<u>1007.0</u>	<u>1021.6</u>	<u>7.2</u>	<u>7.9</u>	<u>7.1</u>	<u>878.6</u>	<u>948.4</u>	<u>1015.7</u>
7. <u>Purchases of Goods and Services</u>	<u>296.4</u>	<u>307.7</u>	<u>317.5</u>	<u>327.7</u>	<u>335.1</u>	<u>342.2</u>	<u>349.4</u>	<u>362.7</u>	<u>367.3</u>	<u>373.4</u>	<u>10.2</u>	<u>13.9</u>	<u>9.6</u>	<u>297.3</u>	<u>338.6</u>	<u>371.2</u>
8. <u>Defense</u>	<u>220.8</u>	<u>225.4</u>	<u>232.1</u>	<u>241.8</u>	<u>247.9</u>	<u>254.9</u>	<u>260.4</u>	<u>271.3</u>	<u>276.3</u>	<u>281.7</u>	<u>11.1</u>	<u>12.7</u>	<u>11.1</u>	<u>222.9</u>	<u>251.3</u>	<u>279.3</u>
9. <u>Durables</u>	<u>70.7</u>	<u>72.5</u>	<u>76.3</u>	<u>80.2</u>	<u>83.8</u>	<u>88.1</u>	<u>91.3</u>	<u>94.8</u>	<u>97.3</u>	<u>100.4</u>	<u>20.9</u>	<u>20.1</u>	<u>15.4</u>	<u>71.5</u>	<u>85.9</u>	<u>99.1</u>
10. <u>Nondurables</u>	<u>11.9</u>	<u>12.4</u>	<u>12.6</u>	<u>13.0</u>	<u>13.3</u>	<u>13.6</u>	<u>14.0</u>	<u>14.3</u>	<u>14.7</u>	<u>15.0</u>	<u>-2.5</u>	<u>11.6</u>	<u>10.4</u>	<u>12.1</u>	<u>13.5</u>	<u>14.9</u>
11. <u>Military Compensation</u>	<u>46.7</u>	<u>46.8</u>	<u>47.0</u>	<u>49.5</u>	<u>49.7</u>	<u>49.9</u>	<u>50.0</u>	<u>53.2</u>	<u>53.4</u>	<u>53.6</u>	<u>7.3</u>	<u>6.4</u>	<u>7.4</u>	<u>46.8</u>	<u>49.8</u>	<u>53.5</u>
12. <u>Civilian Compensation</u>	<u>31.1</u>	<u>31.2</u>	<u>31.4</u>	<u>32.7</u>	<u>32.8</u>	<u>33.0</u>	<u>33.1</u>	<u>35.1</u>	<u>35.1</u>	<u>35.3</u>	<u>5.8</u>	<u>5.4</u>	<u>7.0</u>	<u>31.2</u>	<u>32.9</u>	<u>35.2</u>
13. <u>Other Services</u>	<u>55.9</u>	<u>57.6</u>	<u>59.8</u>	<u>61.3</u>	<u>63.2</u>	<u>65.0</u>	<u>66.8</u>	<u>68.5</u>	<u>70.3</u>	<u>71.8</u>	<u>10.3</u>	<u>13.3</u>	<u>10.9</u>	<u>56.6</u>	<u>64.1</u>	<u>71.1</u>
14. <u>Structures</u>	<u>4.5</u>	<u>4.8</u>	<u>5.0</u>	<u>5.1</u>	<u>5.1</u>	<u>5.3</u>	<u>5.2</u>	<u>5.4</u>	<u>5.5</u>	<u>5.6</u>	<u>2.2</u>	<u>10.6</u>	<u>5.8</u>	<u>4.7</u>	<u>5.2</u>	<u>5.5</u>
15. <u>Nondefense</u>	<u>75.6</u>	<u>82.3</u>	<u>85.4</u>	<u>85.9</u>	<u>87.2</u>	<u>87.3</u>	<u>89.0</u>	<u>91.4</u>	<u>91.0</u>	<u>91.7</u>	<u>7.4</u>	<u>17.5</u>	<u>5.1</u>	<u>74.4</u>	<u>87.4</u>	<u>91.9</u>
16. <u>Durables</u>	<u>3.6</u>	<u>3.8</u>	<u>3.8</u>	<u>4.0</u>	<u>4.0</u>	<u>4.1</u>	<u>4.1</u>	<u>4.3</u>	<u>4.4</u>	<u>4.5</u>	<u>5.7</u>	<u>10.8</u>	<u>7.3</u>	<u>3.7</u>	<u>4.1</u>	<u>4.4</u>
16. <u>Nondurables</u>	<u>3.7</u>	<u>9.0</u>	<u>10.8</u>	<u>9.3</u>	<u>10.2</u>	<u>9.5</u>	<u>10.5</u>	<u>10.0</u>	<u>8.8</u>	<u>8.7</u>	-	-	-	<u>1.3</u>	<u>9.9</u>	<u>9.3</u>
17. <u>CCC Inventory Change</u>	<u>-1.9</u>	<u>3.7</u>	<u>5.6</u>	<u>4.3</u>	<u>4.9</u>	<u>3.8</u>	<u>4.5</u>	<u>4.1</u>	<u>2.6</u>	<u>2.3</u>	-	-	-	<u>-3.9</u>	<u>4.4</u>	<u>2.9</u>
18. <u>Other Nondurables</u>	<u>5.5</u>	<u>5.3</u>	<u>5.2</u>	<u>5.0</u>	<u>5.3</u>	<u>5.7</u>	<u>6.0</u>	<u>5.9</u>	<u>6.2</u>	<u>6.4</u>	<u>-8.8</u>	<u>5.8</u>	<u>14.5</u>	<u>5.2</u>	<u>5.5</u>	<u>6.3</u>
19. <u>Compensation</u>	<u>36.5</u>	<u>36.6</u>	<u>37.1</u>	<u>38.5</u>	<u>38.6</u>	<u>38.6</u>	<u>38.9</u>	<u>40.9</u>	<u>40.8</u>	<u>40.9</u>	<u>5.7</u>	<u>5.4</u>	<u>5.9</u>	<u>36.7</u>	<u>38.7</u>	<u>41.0</u>
20. <u>Other Services</u>	<u>24.8</u>	<u>26.3</u>	<u>27.0</u>	<u>27.3</u>	<u>27.6</u>	<u>28.0</u>	<u>28.5</u>	<u>29.1</u>	<u>29.8</u>	<u>30.3</u>	<u>5.7</u>	<u>7.3</u>	<u>7.5</u>	<u>26.0</u>	<u>27.9</u>	<u>30.0</u>
21. <u>Structures</u>	<u>7.0</u>	<u>6.5</u>	<u>6.7</u>	<u>6.8</u>	<u>6.8</u>	<u>7.1</u>	<u>7.0</u>	<u>7.1</u>	<u>7.2</u>	<u>7.3</u>	<u>0.0</u>	<u>4.5</u>	<u>4.3</u>	<u>6.6</u>	<u>6.9</u>	<u>7.2</u>
22. <u>Transfer Payments</u>	<u>350.1</u>	<u>352.6</u>	<u>356.3</u>	<u>364.4</u>	<u>366.2</u>	<u>369.9</u>	<u>374.9</u>	<u>384.7</u>	<u>388.2</u>	<u>392.8</u>	<u>1.8</u>	<u>4.8</u>	<u>6.0</u>	<u>351.9</u>	<u>368.9</u>	<u>391.0</u>
23. <u>Grants-in-Aid to State and Local Governments</u>	<u>93.2</u>	<u>92.4</u>	<u>92.8</u>	<u>92.5</u>	<u>93.9</u>	<u>94.2</u>	<u>94.0</u>	<u>94.5</u>	<u>94.1</u>	<u>94.6</u>	<u>6.9</u>	<u>1.5</u>	<u>0.7</u>	<u>92.3</u>	<u>93.7</u>	<u>94.4</u>
24. <u>Net Interest Paid</u>	<u>110.9</u>	<u>120.6</u>	<u>126.9</u>	<u>-128.7</u>	<u>131.1</u>	<u>132.6</u>	<u>135.0</u>	<u>138.1</u>	<u>141.3</u>	<u>145.1</u>	<u>23.7</u>	<u>13.2</u>	<u>8.5</u>	<u>116.5</u>	<u>131.9</u>	<u>143.1</u>
25. <u>Deficit of Government Enterprises</u>	<u>17.7</u>	<u>15.1</u>	<u>16.5</u>	<u>16.3</u>	<u>14.1</u>	<u>15.2</u>	<u>16.0</u>	<u>16.3</u>	<u>16.1</u>	<u>15.7</u>	<u>-10.7</u>	<u>-26.3</u>	<u>5.2</u>	<u>20.9</u>	<u>15.4</u>	<u>16.2</u>
26. <u>Federal Surplus</u>	<u>-163.7</u>	<u>-175.1e</u>	<u>-180.3</u>	<u>-174.2</u>	<u>-173.6</u>	<u>-172.8</u>	<u>-170.1</u>	<u>-183.2</u>	<u>-176.6</u>	<u>-172.4</u>	-	-	-	<u>-170.1</u>	<u>-172.7</u>	<u>-175.5</u>
27. <u>Federal Debt Held by Individuals (EOP)</u>	<u>1102.2e</u>	<u>1143.1</u>	<u>1193.0</u>	<u>1245.2</u>	<u>1269.4</u>	<u>1303.3</u>	<u>1348.0</u>	<u>1401.8</u>	<u>1426.1</u>	<u>1461.1</u>	<u>16.7</u>	<u>13.0</u>	<u>12.1</u>	<u>1193.0</u>	<u>1348.0</u>	<u>1511.6</u>
28. <u>Total Government Surplus</u>	<u>-109.2</u>	<u>-128.7</u>	<u>-135.0</u>	<u>-130.5</u>	<u>-129.6</u>	<u>-129.6</u>	<u>-126.3</u>	<u>-140.3</u>	<u>-131.6</u>	<u>-126.1</u>	-	-	-	<u>-120.1</u>	<u>-129.0</u>	<u>-130.2</u>

Table 6.

Georgia State University
College of Business Administration
Economic Forecasting Project
November 1984

Selected Economic Variables of the U.S. Economy for 1984-II and 1984-III with Forecasts for 1984-IV through 1986-III

	1984			1985				1986			Percent Change			Annual		
	II	III	IV	I	II	III	IV	I	II	III	83-84	84-85	85-86	1984	1985	1986
<u>Private Economy</u>																
1. Change in Private Hourly Wage Costs	3.3	3.6	4.0	6.0	4.8	5.6	5.7	7.1	6.2	6.4	-	-	-	3.9	4.9	6.2
2. Change in Output Per Worker Hour	2.6	0.2	-0.6	1.0	1.1	1.1	0.8	-0.5	2.7	0.6	-	-	-	1.5	0.7	0.9
3. Change in Implicit Unit Labor Costs	0.7	3.3	4.6	4.9	3.7	4.5	4.8	7.6	3.4	5.8	-	-	-	2.5	4.1	5.2
4. Change in Private Price Deflator	2.9	3.6	4.4	4.2	4.2	4.8	5.2	5.8	5.6	6.0	-	-	-	3.5	4.2	5.1
<u>Prices</u>																
5. Consumer Price Index	309.6	312.4	315.8	319.1	322.6	326.9	331.1	335.7	340.6	345.8	4.3	4.4	5.6	311.2	324.9	343.1
6. Industrial Comm. (PPI)	323.3	323.3	324.7	326.6	328.2	330.1	332.8	335.7	340.6	344.5	2.2	2.0	3.8	322.8	329.4	342.0
<u>Corporate Economy</u>																
7. After Tax Profit	150.2	138.6e	140.4	142.7	143.9	146.6	154.3	153.2	162.7	161.8	11.0	1.3	10.3	145.0	146.9	162.0
8. Inventory Profits	7.3	0.5	3.1	5.5	5.0	7.9	12.0	13.7	20.1	15.6	-45.5	24.6	140.8	6.1	7.6	18.3
9. Genuine Profits	195.3	197.0e	200.6	204.8	209.2	211.1	216.0	213.8	216.8	219.8	27.7	8.2	4.0	194.4	210.3	218.8
10. Mean Closing - Dow Jones	1139.1	1182.4	1216.0	1219.8	1183.5	1251.1	1290.3	1324.4	1312.7	1302.3	-0.6	4.5	6.8	1183.2	1236.2	1320.6
11. Mean Closing - NY Composite	89.70	91.80	94.31	96.23	95.54	101.62	105.63	108.07	107.65	105.84	-0.7	7.6	8.1	92.74	99.76	107.89
<u>Financial</u>																
12. Monetary Base	210.5	213.4	215.5	218.1	222.3	225.9	229.1	232.5	236.4	240.3	8.1	6.0	6.4	211.3	223.9	238.2
13. Checkable Deposits	387.9	385.9	392.4	400.2	407.0	415.8	420.1	424.9	433.3	440.3	5.5	6.1	6.1	387.2	410.8	435.8
14. M1	540.8	546.8	550.3	560.5	569.9	581.0	587.9	595.2	606.8	616.6	6.6	5.9	6.2	542.7	574.8	610.6
15. Velocity of M1	6.662	6.688	6.750	6.752	6.761	6.751	6.794	6.829	6.859	6.883	0.4	1.4	1.6	6.670	6.765	6.874
16. M2	2258.2	2292.0	2330.0	2379.7	2429.8	2486.1	2530.3	2577.1	2632.6	2682.5	7.5	8.0	8.1	2275.0	2456.5	2655.6
17. Velocity of M2	1.595	1.596	1.594	1.590	1.586	1.578	1.578	1.577	1.581	1.582	-0.1	-0.5	-0.1	1.591	1.583	1.581
18. Federal Funds	10.56	11.39	9.95	10.24	10.62	10.39	9.76	9.26	9.59	9.86	14.4	-1.4	-7.4	10.40	10.25	9.49
19. Prime Rate	12.31	12.99	12.13	11.68	12.47	12.50	12.11	11.74	11.50	11.50	12.4	0.5	-5.9	12.13	12.19	11.47
20. 6 Month T-Bills	10.22	10.54	9.32	9.64	9.96	9.73	9.08	8.86	9.02	9.16	12.7	-2.4	-7.3	9.84	9.60	8.90
21. Seasoned AAA Corp.	13.22	12.99	12.35	12.55	12.86	12.56	12.31	11.98	12.14	12.33	5.6	-1.1	-3.5	12.71	12.57	12.13
22. FHA Mortgage Rates	14.57	14.71	13.58	13.42	13.93	13.79	13.57	13.15	13.19	13.42	4.5	-2.6	-3.2	14.04	13.68	13.24
<u>Miscellaneous</u>																
23. Housing Starts	1898	1658	1580	1533	1572	1683	1803	1834	1861	1830	4.3	-7.2	13.5	1776	1648	1871
24. Single Family Starts	1138	965	979	952	994	1056	1173	1192	1208	1165	2.0	-2.2	16.4	1068	1044	1215
25. Unit Auto Sales	10.6	10.2	10.4	10.7	10.8	10.5	10.4	10.1	10.1	10.0	14.1	1.0	-5.7	10.5	10.6	10.0
26. Civilian Employment	105146	105201	105829	106628	107378	107900	108326	108838	109419	109892	4.1	2.5	1.9	104979	107558	109619
27. Unemployment Rate	7.5	7.5	7.4	7.3	7.1	7.1	7.1	7.1	7.1	7.2	-20.8	-5.3	0.0	7.6	7.2	7.2
28. Industrial Production	163.0	165.6	166.3	167.1	168.2	169.2	170.3	169.7	172.6	172.9	11.8	2.2	2.1	165.0	168.7	172.3
29. Asset-Consumption Ratio	3.138	3.143	3.132	3.110	3.074	3.102	3.109	3.128	3.106	3.070	-0.1	-1.6	-0.1	3.149	3.099	3.095

Table 7.

Georgia State University
College of Business Administration
Economic Forecasting Project
November 1984

U. S. Foreign Trade Accounts for 1983 with Forecasts for 1984, 1985 and 1986

	1983	1984	1985	1986	Percent Change			
					82-83	83-84	84-85	85-86
<u>Exports of U.S. Merchandise</u>	<u>200486</u>	<u>216863</u>	<u>233345</u>	<u>260222</u>	<u>-5.5</u>	<u>8.2</u>	<u>7.6</u>	<u>11.5</u>
Food & Live Animals	24166	25310	30175	33561	0.9	4.7	19.2	11.2
Beverages & Tobacco	2813	2529	2830	3068	-7.0	-10.1	11.9	8.4
Crude Materials	18596	20114	20825	23503	-3.4	8.2	3.5	12.9
Mineral Fuels	9500	9199	9170	9790	-25.4	-3.2	0.3	6.8
Animal & Vegetable Oils	1459	1899	1833	2109	-5.3	30.2	-3.5	15.1
Chemicals	19751	22859	27355	31193	-0.7	15.7	19.7	14.0
Manufactured Goods	14852	15347	16340	18326	-11.3	3.3	6.5	12.2
Machinery, Trans. Equipment	82562	89485	96620	108586	-5.2	8.4	8.0	12.4
Miscellaneous Manufacturing	15243	15668	16845	18869	-4.5	2.8	7.5	12.0
Commodities, n.e.c.	6975	10257	11353	12573	1.6	47.1	10.7	10.8
<u>Imports of Merchandise</u>	<u>258044</u>	<u>336903</u>	<u>383030</u>	<u>408557</u>	<u>5.8</u>	<u>30.6</u>	<u>13.7</u>	<u>6.7</u>
Food & Live Animals	15412	18073	18646	19723	6.6	17.3	3.2	5.8
Beverages & Tobacco	3408	3680	3868	4078	1.3	8.0	5.1	5.4
Crude Materials	9590	11517	13334	14140	11.7	20.1	15.8	6.0
Mineral Fuels	57952	60440	61796	62547	-11.4	4.3	2.2	1.2
Animal & Vegetable Oils	495	759	851	937	21.9	53.3	12.1	10.1
Chemicals	10779	14300	18730	22861	13.5	32.7	30.9	22.1
Manufactured Goods	34833	48156	54880	58666	5.1	38.3	14.0	6.9
Machinery, Trans. Equip.	86131	126193	150005	157952	17.5	46.5	18.9	5.3
Misc. Manufacturing	31702	43967	49398	53521	13.0	38.7	12.4	8.4
Commodities, n.e.c.	7742	9910	11523	14132	0.4	28.0	16.3	22.6
<u>Foreign Transactions</u>								
<u>Total Exports</u>	<u>336.2</u>	<u>369.9</u>	<u>411.9</u>	<u>464.2</u>	<u>3.7</u>	<u>10.0</u>	<u>11.4</u>	<u>12.7</u>
Merchandise Exports	198.6	218.5	235.4	263.5	-5.1	10.0	7.7	11.9
Factor Income	84.1	96.2	115.5	133.8	-2.8	14.4	20.1	15.8
Other Services	53.5	55.3	61.0	66.9	1.5	3.4	10.3	9.7
<u>Total Imports</u>	<u>344.4</u>	<u>442.5</u>	<u>508.0</u>	<u>545.5</u>	<u>4.6</u>	<u>28.5</u>	<u>14.8</u>	<u>7.4</u>
Merchandise Imports	258.9	336.4	383.2	407.5	5.8	29.9	13.9	6.3
Factor Income	35.8	50.7	63.2	71.9	-7.3	41.6	24.7	13.8
Other Services	49.7	55.4	61.7	65.9	7.6	11.5	11.4	6.8
Transfer	8.0	7.4	8.1	8.5	6.7	-7.5	9.5	4.9
Government Interest	17.7	19.4	21.3	22.4	-2.2	9.6	9.8	5.2
<u>Net Foreign Investment</u>	<u>-33.9</u>	<u>-99.4</u>	<u>-125.5</u>	<u>-112.3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Table 8.

Georgia State University
College of Business Administration
Economic Forecasting Project
November 1984

Implicit Price Deflators for Personal Consumption Expenditures for 1984-II and 1984-III with Forecasts for 1984-IV through 1986-III

	1984			1985				1986			Percent Change			Annual		
	II	III	IV	I	II	III	IV	I	II	III	83-84	84-85	85-86	1984	1985	1986
<u>Durable Goods</u>	<u>179.5</u>	<u>179.2</u>	<u>182.9</u>	<u>181.3</u>	<u>183.4</u>	<u>184.4</u>	<u>185.7</u>	<u>187.3</u>	<u>189.0</u>	<u>190.9</u>	<u>11.8</u>	<u>2.2</u>	<u>3.4</u>	<u>179.8</u>	<u>183.7</u>	<u>189.9</u>
% Change	1.1	-0.6	4.7	3.5	1.1	2.3	2.9	3.4	3.6	4.0						
Automobiles	197.4	197.9	200.6	202.7	202.5	203.3	204.4	206.2	207.8	209.7	2.1	2.6	2.7	198.1	203.2	208.6
% Change	3.0	1.0	5.5	4.2	-0.3	1.6	2.1	3.5	3.2	3.7						
Furniture	157.4	156.1	157.5	158.1	158.6	159.3	160.5	161.7	163.1	164.6	-0.6	1.2	3.0	157.2	159.1	163.8
% Change	-0.6	-3.3	3.6	1.6	1.1	1.9	2.8	3.1	3.4	3.7						
Other Durables	189.0	189.7	190.2	191.9	194.3	197.0	199.3	201.9	204.5	207.3	1.8	3.4	5.3	189.2	195.6	205.9
% Change	2.1	1.5	1.0	3.7	5.1	5.6	4.9	5.3	5.2	5.7						
<u>Nondurables</u>	<u>216.4</u>	<u>217.9</u>	<u>219.9</u>	<u>221.4</u>	<u>223.1</u>	<u>225.2</u>	<u>227.7</u>	<u>230.5</u>	<u>233.0</u>	<u>236.0</u>	<u>2.3</u>	<u>3.0</u>	<u>4.5</u>	<u>217.9</u>	<u>224.4</u>	<u>234.5</u>
% Change	-1.7	2.9	3.8	2.8	3.1	3.7	4.6	4.9	4.5	5.3						
Food	228.4	229.7	231.3	233.7	235.9	238.7	241.8	244.8	248.3	251.7	4.1	3.4	5.2	229.6	237.5	249.9
% Change	-0.7	2.3	2.9	4.2	3.8	4.8	5.3	5.1	5.8	5.6						
Apparel	143.6	144.9	146.6	147.4	148.2	149.4	150.7	151.9	153.2	154.7	0.9	2.8	3.4	144.9	148.9	154.0
% Change	-2.2	3.7	4.8	2.3	2.2	3.2	3.6	3.3	3.5	3.8						
Gasoline & Oil	342.5	333.3	339.0	335.5	336.0	334.1	336.7	340.4	343.5	347.1	-1.7	-1.0	2.9	338.9	335.6	345.2
% Change	2.2	-10.4	1.7	-4.3	0.7	-2.3	3.2	4.5	3.7	4.2						
Fuel Oil	549.6	538.9	534.0	537.6	540.9	536.0	539.7	551.8	555.7	556.9	2.2	-0.8	3.3	543.1	538.6	556.3
% Change	-0.3	-6.6	-3.6	2.7	2.5	-3.7	2.8	9.3	2.8	0.9						
Other Nondurables	218.8	221.9	224.6	227.4	230.4	233.3	236.6	239.8	243.2	246.9	3.3	5.1	5.7	220.7	231.9	245.1
% Change	2.4	5.8	4.9	5.1	5.3	5.2	5.7	5.5	5.9	6.1						
<u>Services</u>	<u>236.0</u>	<u>239.8</u>	<u>243.3</u>	<u>246.9</u>	<u>250.7</u>	<u>254.7</u>	<u>258.8</u>	<u>262.7</u>	<u>266.9</u>	<u>271.4</u>	<u>5.3</u>	<u>6.3</u>	<u>6.5</u>	<u>237.9</u>	<u>252.8</u>	<u>269.2</u>
% Change	6.0	6.7	6.0	6.0	6.3	6.5	6.5	6.2	6.6	6.9						
Housing	221.9	225.8	229.4	233.1	237.0	241.1	245.4	249.4	253.7	258.0	5.6	6.8	7.0	223.9	239.2	255.9
% Change	6.6	7.2	6.5	6.6	6.9	7.1	7.3	6.6	7.1	7.0						
Electricity & Gas	336.7	351.6	357.3	361.9	367.3	376.9	383.7	389.4	394.5	403.7	5.7	8.1	7.3	344.7	372.5	399.6
% Change	4.5	18.9	6.6	5.3	6.1	10.9	7.4	6.1	5.3	9.7						
Household Operations	195.6	196.9	199.0	202.7	205.9	207.6	209.4	211.4	212.9	214.5	5.8	5.3	3.6	196.0	206.4	213.8
% Change	2.5	2.7	4.3	7.6	6.5	3.3	3.5	3.9	2.9	2.9						
Transportation	237.2	241.6	245.2	248.6	252.3	256.3	260.2	264.1	268.3	272.8	4.7	6.1	6.3	239.7	254.4	270.5
% Change	4.5	7.6	6.1	5.6	6.2	6.5	6.3	6.1	6.5	6.9						
Other Services	242.8	246.1	249.4	252.8	256.4	260.2	264.2	268.4	272.8	277.5	5.0	5.7	6.5	244.4	258.4	275.1
% Change	6.0	5.5	5.4	5.6	5.9	6.1	6.3	6.5	6.8	7.0						
<u>Personal Consumption Expenditures</u>	<u>219.2</u>	<u>221.6</u>	<u>224.3</u>	<u>226.7</u>	<u>229.2</u>	<u>232.1</u>	<u>235.2</u>	<u>238.4</u>	<u>241.6</u>	<u>245.2</u>	<u>3.4</u>	<u>4.5</u>	<u>5.5</u>	<u>220.8</u>	<u>230.8</u>	<u>243.4</u>
% Change	2.2	4.5	4.9	4.4	4.5	5.1	5.5	5.6	5.5	6.0						
<u>Consumer Price Index</u>	<u>309.6</u>	<u>312.4</u>	<u>315.8</u>	<u>319.1</u>	<u>322.6</u>	<u>326.9</u>	<u>331.1</u>	<u>335.7</u>	<u>340.6</u>	<u>345.8</u>	<u>4.3</u>	<u>4.4</u>	<u>5.6</u>	<u>311.2</u>	<u>324.9</u>	<u>343.1</u>
% Change	3.6	3.7	4.4	4.3	4.4	5.4	5.3	5.7	5.9	6.3						

Table 9.

Georgia State University
College of Business Administration
Economic Forecasting Project
November 1984

Implicit Price Deflators with Annual Percentage Changes for 1984-II and 1984-III with Forecasts for 1984-IV through 1986-III

	1984			1985				1986			Percent Change			Annual		
	II	III	IV	I	II	III	IV	I	II	III	83-84	84-85	85-86	1984	1985	1986
<u>GNP Deflator</u>	<u>222.40</u>	<u>224.36</u>	<u>226.81</u>	<u>229.51</u>	<u>231.90</u>	<u>234.62</u>	<u>237.54</u>	<u>241.23</u>	<u>244.46</u>	<u>247.92</u>	<u>3.8</u>	<u>4.4</u>	<u>5.5</u>	<u>223.54</u>	<u>233.41</u>	<u>246.24</u>
% Change	3.3	3.6	4.4	4.8	4.2	4.8	5.1	6.4	5.5	5.8						
<u>Personal Cons. Exp.</u>	<u>219.2</u>	<u>221.6</u>	<u>224.3</u>	<u>226.7</u>	<u>229.2</u>	<u>232.1</u>	<u>235.2</u>	<u>238.4</u>	<u>241.6</u>	<u>245.2</u>	<u>3.4</u>	<u>4.5</u>	<u>5.5</u>	<u>220.8</u>	<u>230.8</u>	<u>243.4</u>
% Change	2.2	4.4	4.9	4.4	4.5	5.1	5.5	5.6	5.5	6.0						
<u>Private Domestic Investment</u>	<u>220.9</u>	<u>220.8</u>	<u>222.2</u>	<u>223.3</u>	<u>224.9</u>	<u>226.4</u>	<u>228.2</u>	<u>231.4</u>	<u>234.4</u>	<u>237.3</u>	<u>3.6</u>	<u>2.3</u>	<u>4.4</u>	<u>220.6</u>	<u>225.7</u>	<u>235.6</u>
% Change	4.4	-0.3	2.5	1.9	2.9	2.7	3.1	5.8	5.3	5.0						
Structures	264.1	265.6	267.8	269.8	272.1	274.3	276.8	279.7	284.0	288.1	0.4	3.1	4.5	265.0	273.3	285.6
% Change	2.3	2.4	3.3	3.0	3.5	3.3	3.6	4.3	6.2	6.0						
Producers' Durables	185.4	186.9	188.7	190.2	191.0	192.3	193.8	195.9	197.9	200.3	1.7	2.9	3.8	186.4	191.8	199.0
% Change	2.1	3.3	4.0	3.3	1.7	2.7	3.3	4.3	4.2	4.9						
Residential Structures	255.9	255.7	257.4	258.7	261.3	263.6	266.7	271.1	274.6	278.6	3.3	3.1	5.3	254.6	262.6	276.5
% Change	10.9	-0.3	2.7	2.0	4.1	3.6	4.7	6.8	5.3	5.9						
<u>Exports</u>	<u>250.4</u>	<u>250.1</u>	<u>249.7</u>	<u>250.4</u>	<u>252.0</u>	<u>255.0</u>	<u>258.5</u>	<u>262.6</u>	<u>266.6</u>	<u>270.7</u>	<u>3.5</u>	<u>1.8</u>	<u>5.7</u>	<u>249.5</u>	<u>254.0</u>	<u>268.6</u>
% Change	4.5	-0.4	-0.7	1.2	2.5	4.8	5.6	6.5	6.3	6.3						
<u>Imports</u>	<u>269.6</u>	<u>266.8</u>	<u>265.7</u>	<u>266.0</u>	<u>267.9</u>	<u>270.3</u>	<u>273.6</u>	<u>277.4</u>	<u>281.4</u>	<u>285.5</u>	<u>-1.5</u>	<u>0.7</u>	<u>5.1</u>	<u>267.5</u>	<u>269.5</u>	<u>283.3</u>
% Change	2.6	-4.2	-1.6	0.4	2.9	3.7	4.9	5.6	6.0	5.9						
<u>Federal</u>	<u>240.6</u>	<u>241.5</u>	<u>243.0</u>	<u>248.8</u>	<u>250.9</u>	<u>253.2</u>	<u>255.5</u>	<u>262.6</u>	<u>265.3</u>	<u>268.2</u>	<u>3.8</u>	<u>4.6</u>	<u>5.8</u>	<u>240.9</u>	<u>252.1</u>	<u>266.7</u>
% Change	3.7	1.6	2.4	9.9	3.4	3.7	3.7	11.6	4.1	4.5						
Federal Purchases	255.3	256.0	257.4	260.7	263.6	267.0	270.3	273.9	277.9	282.2	2.5	3.8	5.5	255.8	265.4	279.9
% Change	1.1	1.1	2.2	5.3	4.6	5.2	5.0	5.4	5.9	6.4						
Federal Value Added	220.3	220.8	221.3	230.8	231.1	231.4	231.9	244.7	244.9	245.4	5.1	4.9	6.0	220.5	231.3	245.2
% Change	1.3	0.9	0.8	18.3	0.5	0.6	0.9	24.0	0.3	0.8						
<u>State & Local</u>	<u>250.0</u>	<u>253.6</u>	<u>257.1</u>	<u>261.0</u>	<u>264.6</u>	<u>268.4</u>	<u>271.9</u>	<u>276.0</u>	<u>280.2</u>	<u>284.3</u>	<u>6.4</u>	<u>5.8</u>	<u>5.9</u>	<u>251.8</u>	<u>266.5</u>	<u>282.1</u>
% Change	6.0	5.9	5.6	6.2	5.6	5.8	5.3	6.2	6.2	6.0						
State & Local Purchases	259.1	261.3	263.8	266.6	269.6	272.9	276.2	279.9	283.8	288.0	4.4	4.3	5.3	260.1	271.3	285.8
% Change	4.6	3.4	3.9	4.3	4.6	5.0	4.9	5.5	5.7	6.0						
State & Local Value Added	243.9	248.2	252.3	257.0	260.8	265.0	268.8	273.2	277.5	281.6	7.7	6.9	6.3	246.0	262.9	279.5
% Change	7.3	7.2	6.7	7.7	6.1	6.7	5.8	6.6	6.4	6.1						

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Economic Forecasting Project
Donald Ratajczak, Director
College of Business Administration
Michael H. Mescon, Dean

GOOD NEWS, BAD NEWS FORECAST IN THE NEXT TWO YEARS

Dr. Donald Ratajczak
Director
Economic Forecasting Project
Georgia State University

Commentary

Recent Activity

Last summer, a typical intensifying of labor market pressures and acceleration of service prices appeared to begin the process of intensifying inflationary pressures in the entire economy. Indeed, these increasing price pressures may have encouraged more aggressive pricing of consumer commodity goods than were justified by prevailing cost considerations. However, the consumer resisted these price increases. Now, continuing price restraint for commodities at earlier stages of processing which has been created by an especially competitive foreign sector, has begun reducing inflation in the service and labor market sectors. As a result, projections of inflationary pressures over the next two years have been significantly reduced in this latest forecast.

Of course, significant tightening in labor markets or a reversal in the dollar's value could cause an upward adjustment in inflationary projections. However, labor markets appear to be sufficiently fluid to prevent any dramatic acceleration of wage pressures at the present time. Wage costs in 1985 are projected to increase only 4.2% per hour, an acceleration over the 3.6% increase during 1984 that is completely explained by increased social security taxes. Further wage cost acceleration is anticipated for 1986, but our projections still indicate an increase of only 4.9%.

Because inflationary pressures will be lower than previously anticipated, wage pressures will continue to ease. However, reduced wage pressures are significant contributors to reduced inflation. A second restraining factor is the continuing search for cost reduction required by commodity producing industries in order to remain competitive with their foreign competition. Third, an expected wage freeze for federal employees (the punitive 5% wage reduction proposed by the President is not assumed) will moderate wage demands in other governmental positions, and eventually in the private sector as well. Fourth, indexation of the personal tax codes will continue to provide modest tax relief for wage earnings, although the tax relief will be much smaller than in previous years.

As mentioned in a previous forecast, the dollar's strength is the result of perceptions by foreign investors that economic growth, and therefore profitability, will continue to be more robust in the United States than in their own countries. With strong economic growth projected for the first half of 1985, foreign investors will not be dissuaded from this viewpoint until late in the year. A dollar correction probably will begin materializing at that time, leading to intensifying inflationary pressures. However, many importers will defend their market shares by absorbing most of the impact of a dollar decline by reducing profits rather than raising prices. Thus, the inflationary

fallout from a reversal in the dollar's fortunes during 1986 should not be substantial.

If inflation is to remain subdued, and our projections indicate that the deflator may grow even more slowly in 1985 than in 1984, while the Consumer Price Index should show its smallest rate of increase during the twelve months of 1985 since price controls were in place in the early 1970's, then consumer spending can remain robust. Benefitting from a surge in consumer spending at the end of the Christmas season, real spending on consumer goods will be growing above normal in the first quarter of 1985 and should average a very normal 4% rate of gain for the entire year. Spending on nondurables should slow, as the real growth in apparel purchases simply cannot be sustained. However, more purchases for financial services, especially to take advantage of a booming stock market, and continuing strong purchases of nonauto durables should provide this strong consumer response.

Now that the mini-correction of inventories has ended with a 0.3% decline in manufacturing inventories during November, investment once again should provide support for economic growth. Inventories actually will be growing more slowly on average in 1985, but quarterly increases should be intensifying until the end of this year.

Housing continues to be stalled by anticipations of even lower mortgage rates. As a result, long-term interest rates have declined more than expected in our previous forecast. However, the rebuilding of inventories has prevented any further drop in short-term interest rates. Although an unusually wide difference in yield currently exists between short-term and long-term debt instruments, an establishment of an interest rate floor for short-term rates has stalled any further significant decline in yields on long-term instruments. Thus, mortgage rates should be firming in the spring, causing many potential home buyers to rush into the marketplace. In addition, talk of tax reform has caused many builders to slow their apartment construction programs. In December, a gap of more than 200,000 units between permits and starts for multi-family units had developed. As it becomes more certain that tax reform will appear, but that it will not alter returns until 1986, builders should intensify their activity during the 1985 building season. Thus, residential construction should strengthen in the spring and summer before fading significantly early in 1986.

Whether a similar buildout of nonresidential structures develops remains to be seen. Orders remain robust despite unusually large vacancy rates for office buildings and despite growing vacancy rates for commercial and warehouse space. Tax reform probably will lower the vacancy rates that will be tolerated in these projects. As a result, building on nonresidential structures should slow late in 1985 and could decline toward the end of 1986.

Investment in nonauto producer's durables was especially brisk during the first half of 1984, when this sector grew an inflation-adjusted 17.5%. Orders for nondefense capital goods began to sag during the fall, suggesting that a substantial slowing in domestic shipments of these nonauto durable goods should develop early in 1985. Strong import demand will continue to preserve rapid investment growth, but contributions to GNP from such purchases will be minimal. By 1986, investment in nonauto producers' durables will slow dramatically.

Even more dramatic slowing in growth is expected for the auto and truck components of producers' durables. In 1984, inflation-adjusted purchases of

automobiles for business surged 37.1%. This was on top of a 33.3% growth rate during the previous year. These growth rates are expected to subside in 1985. (The drop in auto purchases during the fourth quarter of 1984 appears to be related to the GM strike, and is not expected to be the start of this projected weakening.) Truck purchases have been even more spectacular, growing an inflation-adjusted 48.8% in 1984. A further 16% gain is projected for 1985 as truckers continue to modernize their fleets. However, this process should be accomplished early in 1986. By that time, a slowing in manufacturing activity and possible changes in tax considerations should generate an actual decline in truck purchases.

While net exports improved significantly during the fourth quarter, that seeming gain in contributions to GNP was actually related to a slowing in inventory investment which restricted the growth of GNP. During the summer months, fears of import restraints and anticipations of an especially robust Christmas selling season encouraged retailers to accelerate imports of their merchandise. When sluggish sales developed early in the fourth quarter, import flows were restrained while inventories were worked down. Although net exports probably will not again show the degree of weakness that occurred during last summer, the strong dollar will continue to generate a deteriorating trade account. This condition is expected to reverse in 1986, once the dollar falls in value. Most of the improvement at that time will be created by more favorable evaluation of earnings abroad.

As Table 5 shows, our assumption of a wage freeze rather than an actual 5% reduction in the federal wages and an already scheduled 3% wage increase for military this June generates a larger increase in expenditures than the 1.5% growth rate projected by the administration. Moreover, that slowing in outlays during 1986 occurs following an acceleration in 1985. Indeed, spending in 1985 would have been even stronger except for the reduction in Commodity Credit Corporation activity following the PIC disbursements early in 1984. Indeed, the strength in government purchases during 1985 as a result of significant increases in defense shipments provides ample fiscal stimulus during this year. An abrupt slowing from that stimulus will present problems in maintaining vigorous economic expansion through 1986. Moreover, state and local surpluses are expected to peak during the third quarter of 1985. By the second quarter of 1986, these surpluses will fall below the accumulated surpluses from pension programs. Thus, state and local governments will be generating operating losses during the latter half of 1986 and will be forced, as a result, to substantially restrain the growth of expenditures.

However, budgetary restraint in 1986 may not be the major governmental influence upon activity during that year. Tax simplification appears to be a more important issue than many people in Washington are willing to believe. The Treasury Department reform package unquestionably would moderate investment incentives while increasing the desire to save. In the longer run, an adjusted tax system may more closely align investment with savings in the private sector. As a result, long-term interest rates (after adjustment for inflation) almost certainly would decline significantly. The Treasury proposals also would sharply reduce the desired vacancy rate for office space and rental properties. Enactment of the Treasury proposals probably would diminish desired inventories to no more than 8-9% vacancy rates for offices and 5% vacancy rates for rental property. This would mean that almost ten months of office construction would need to be curtailed before desired vacancy rates could be attained. As many as 250,000 rental units would be redundant. Obviously, office building adjustments could not be achieved in only one or two years. Rental property could fall

drastically in 1986 and then begin rebounding toward the end of 1987 if tax reform became effective in 1986. However, the point should be clear. A substantial collapse in construction activity soon would develop after the Treasury proposals became law.

At the same time, savings are scarce in the United States. The use of savings to increase the underutilization of rental properties and office buildings for the purpose of providing tax advantages to investors clearly is socially inefficient. If that construction activity had never materialized, lower interest rates would have encouraged more investment activity of a technologically and productivity enhancing type. My own preference would be to eliminate the ACRS as proposed by the Treasury, for there is no question that loss of capital efficiency is being generated by the current depreciation system. However, the investment tax credit should be retained to minimize the construction blow and to accelerate the rotation toward more growth oriented capital investment.

The business community, unfortunately, has fought more diligently to protect ACRS than ITC. This probably is shortsighted, and based upon the larger tax offsets to income generated by ACRS than by ITC under current conditions. Obviously, growth is not enhanced when scarce capital is used to add to an office stock that already is 17% vacant. Consumer well-being is not promoted when apartments are rapidly being constructed despite the highest vacancy rates for rental properties since the end of the 1975 recession. Purchasing capital does not necessarily mean spending for growth, especially when that capital is purposely underutilized to maximize the tax benefits that its construction can bring.

Whatever the form of tax reform, it will exacerbate an already developing tendency for investment to slow in 1986. Also, tax reform will reduce marginal tax rates both at the corporate and individual levels. These reduced rates might further stimulate work effort and capital expansion, although the impact of declining marginal tax rates upon intensity of work is not significant. Budgetary restraint in 1986 will reduce the federal government's claims upon credit markets, which should moderate interest rate pressures. However, as tax reform (or the fear of what tax reform might look like), lowers the interest rate necessary to cross the investment threshold, just as the lucrative tax reductions in 1981 dramatically raised the interest rate level that would restrain investment, little economic stimulus initially is anticipated from reduced interest rate pressures. Thus, budgetary policy probably will accentuate the economic weakness that already would be developing in the latter half of 1986 without the aid of policy changes.

A rebound in government spending, housing activity, inventory investment, and even consumer spending relative to income should lead to higher interest rates during the middle quarters of 1985. Because of reduced money growth in the latter half of 1984, the Federal Reserve probably will withstand the initial surge of interest rate pressures by permitting a reacceleration of money growth. By the end of the second quarter, however, rapid money growth should stabilize the dollar's value and begin generating moderate increases in inflationary pressures. Then, interest rates will rise. However, the present steepness in the yield curve should prevent long-term interest rates from rising significantly. Moreover, the surge in activity should be only temporary. Early in 1986 all these factors except consumer savings will reduce interest rate pressures. The magnitude of interest rate increases during the middle months of 1985 could be more intense than currently projected. As a rule, the economy is

relatively interest insensitive. Therefore, moderate changes in investment and savings behavior lead to fairly dramatic interest rate movements.

With interest rates heading up in the middle months of 1985, an important prop under the current stock market will be removed. In the past six months, both short and long-term interest rates have been declining. In addition, earning prospects early in 1985 have improved. While improving economic activity might sustain strong equity values through much of 1985, rising interest rates almost certainly will become a hinderance to further stock market gains after midyear. For that reason, equity positions probably should be liquidated about that time, with cash being accumulated for the adept investor to move into interest sensitive investment vehicles late in 1985 or early in 1986.

From the above analysis it is clear that the good news is 1985 while the bad news in 1986, especially the second half. At the present time the bad news certainly is avoidable, although one wonders how much further the investment boom should go given prevailing utilization of existing construction products. If tax reform is cancelled, activity in 1986 might not slow as abruptly as currently anticipated. However, a more meaningful economic correction then might be required in 1987.

The good news also is the outlook for inflation. Even if the dollar loses some of its luster late in 1985, inflation rates are expected to accelerate only modestly at that time, after slowing even further early in 1985. Wage restraint almost certainly will re-enforce this disinflationary trend for the next two years.

Recent Performance

In the past year, our largest forecasting error was in assuming that the normal cyclical intensifying of service inflation would begin to pull up wage demands and lead to greater inflationary pressures in commodity producing sectors. In fact, continuing moderation in commodity producing sectors, aided by a stronger dollar than projected three months ago, restrained service inflation. As a result, prices grew more modestly during the fourth quarter, leading to greater gains in real economy activity than was previously anticipated. To some extent, this more moderate inflationary condition now is expected to prevail through the forecast period.

Consumption spending was weaker than anticipated, but this largely was the result of reduced consumption of utilities because of a mild fall. A cold winter will bring consumption more closely to our previous projections.

Inventories were liquidated more rapidly than expected. As a result, activity now can expand more significantly early in 1985 than previously projected. This rapid inventory correction partially reflects the inventory distortions created by trade restraint fears during the third quarter. Inventories should not have been as high as they were during the summer, and much of the decline during the fall was a return to normal levels.

Although the vigor of the stock market rally partially caught us by surprise (we projected an up market, but not straight up) the cause for this happy circumstance can be directly related to interest rates. Interest rates were lower than expected early in 1985, partially because of Federal Reserve

accommodation (the money supply is growing faster than original projections) but also because the inventory correction was deeper than anticipated and inflation rates were less robust than originally projected.

In other words, a better reading of the prevailing inflationary pressures would have led to stronger forecasts on all the other variables which were inappropriately stated. It should be added, however, that these forecast errors, while linked, were not very large. Further reliance upon the portfolio desires of foreign investors has been built into our system. This might provide a better understanding of external restraints upon commodity inflation.

Assumptions

Despite the appearance of increased Federal Reserve accommodation, Federal Reserve policy is not expected to change dramatically in 1985. The Federal Reserve probably believes that more restricted growth in the money stock during the second half of 1984 provides an opportunity to remain accommodative early 1985. By midyear, however, the Federal Reserve is expected to insure that the 52-week growth path of the money stock remains within Federal Reserve targets. Some easing in monetary policy probably will develop in 1986 after signs of economic weakness reappear. Federal Reserve assumptions are implied by some of the monetary aggregates contained in Table 6.

In our forecast three months ago, we overestimated the impact of the Martin Luther King holiday for 1985. As a result, we projected slower growth during the first quarter than was justified. However, the holiday will have a restraining effect upon economic activity during the first quarter of 1986, as seasonal factors will not fully incorporate this holiday disruption. No other labor market disruptions are anticipated. Strike activity is expected to have no significant economic effect in the next two years.

Other explicit assumptions are as follows:

a) Social Security taxes are scheduled to increase to 7.15% for both employer and employee on a projected wage base of \$41,400 in 1986. Cost-of-living adjustment for Social Security recipients are assumed to be 3.5% both in the first quarter of 1985 and the first quarter of 1986. Cost-of-living increases also are expected for the food stamp program but not for federal retirees during the forecast period.

b) The military is expected to receive only one pay increase of 3% in June 1985. Both civilian and military pay is expected to show no further changes, with the exception of the already approved Post Office increases for 1985 and 1986. The impact of these assumption on compensation can be seen in Table 5. The 5% reduction in wages proposed by the President was not assumed to be approved. The military was expected to have some difficulties meeting requirements with this wage schedule. As a result, military employees were expected to reach only 2.259 million by the end of 1986 while civilian payrolls were projected to increase 25,000, with all of the gains in the military or the Post Office.

c) Reductions in excise taxes were not assumed for cigarettes or telephone bills. The increase in postage on February 17th was assumed to be the only postage change during the forecast period.

d) Oil prices were expected to continue falling until oil imported into the United States averaged \$26.65 per barrel during the second quarter of 1985.

A modest increase in oil prices then was assumed, with prices rebounding to \$27.80 per barrel by the end of 1986. Because of this assumption, gasoline and fuel oil prices were expected to show no further declines beyond the winter. Natural gas and electricity prices were expected to accelerate slightly in the latter part of 1985. Any deeper price cuts for oil delivered to the United States would obviously reduce our inflationary projections. Indeed, a sharp enough price decline, to the vicinity of \$22.00 per delivered barrel, would provide sufficient stimulus to avoid recession in 1986.

e) World trade is expected to grow 6% in 1985 and 5% in 1986. Although the concentration of that trade in the United States is expected to respond to currency changes, no unusual crop failures or other demand distorting conditions were expected to influence world trade in the forecast period.

f) Tax reform was assumed to be effective in 1986. Some reduced investment incentives along with reduced marginal tax rates were incorporated in our projections. Moreover, a modest tilt toward reduced personal income taxes at the expense of corporate taxes was made. The importance of these assumptions upon investment activity already has been outlined above.

Conclusion and Summary

Further moderation in inflationary pressures during the first half of 1985 and the termination of an inventory correction should lead to relatively vigorous economic expansion. The administration's projection of 4% real growth during this year coincides with our own expectations. Moreover, our inflationary expectations are a half point more favorable than those of the administration. Although the investment boom will taper off, sufficient economic support from consumer spending and government purchases should maintain healthy economic expansion until the end of 1985.

Unfortunately, after a surprisingly good third year of an economic expansion with continuing moderation of inflation, recessionary conditions are expected to intensify, especially in the second half of 1986. By that time, a declining dollar should begin exerting upward pressures upon domestic inflation. The absence of further price declines for energy materials also will provide the appearance of accelerating inflationary pressures. Wage costs are expected to remain relatively contained, but intensifying inflation will begin restraining consumer spending.

At the same time, the threat or realization of tax reform will begin suppressing spending for construction purposes. Slower spending in the government sector as a result of reduced financial support for state and local governments from the federal budget also will add to the slowdown. If oil prices continue to decline and if the dollar can remain strong, an actual downturn in 1986 still might be avoided. However, it is more likely than not that a recession will begin before the end of 1986.

Interest rates probably will increase in the second and third quarters of 1985 before once again declining early in 1986. A prime rate above 12% is not projected for the next eight quarters. Moreover, long-term government interest rates should not move substantially above 12%. Profit-taking in bond holdings could be justified at the present time. Bonds could then again be purchased late in 1985.

Rising equity values reflect improving economic prospects for 1985. By 1986, these prospects will largely disappear. The current rapid rally in equity values was re-enforced by moderation of interest rates. That prop to equity values no longer is available. It is too early to take profits in the stock market, but liquidation of stock positions might be justified by the middle of 1985.

This good news, bad news forecast suggests that 1985 will be a surprisingly good year for economic activity with only modest increases in interest rates and continuing moderation in inflation, at least into the summer quarter. Conditions in 1986, however, may be totally reversed. Inflation is expected to intensify at that time, the dollar should weaken in value, while recession before the end of that year appears increasingly likely. Of course, further declines in oil prices, favorable resolution of a tax reform package that does not significantly reduce investment incentives or greater budgetary restraint in 1985, when the private sector continues to have sufficient momentum so that the magnitude of budgetary restraint in 1986 will not appear to be so abrupt, all could alter the 1986 outlook. Under current assumptions, however, a recession in the latter part of 1986 is increasingly likely.

Table 1.

Georgia State University
College of Business Administration
Economic Forecasting Project
February 1985

U.S. Expenditures for 1984-III and 1984-IV with Forecasts for 1985-I through 1986-IV

	1984		1985				1986				Percent Change			Annual		
	III	IV	I	II	III	IV	I	II	III	IV	83-84	84-85	85-86	1984	1985	1986
1. <u>Personal Consumption Expenditures</u>	2361.4	2398.6	2448.8	2487.6	2527.9	2569.7	2612.7	2657.6	2704.3	2759.2	8.6	7.1	7.0	2342.3	2508.5	2683.5
2. Autos and Parts	148.6	149.4	156.0	158.7	159.6	160.6	158.6	155.6	157.8	164.6	15.6	6.2	0.3	149.5	158.7	159.2
3. Other Durable Goods	168.6	175.3	177.2	178.8	181.4	185.4	188.7	191.6	193.8	196.0	12.2	7.0	6.5	168.9	180.7	192.5
4. Nondurable Goods	861.4	872.1	887.4	897.0	909.0	920.5	935.6	951.8	966.0	982.1	7.1	5.3	6.1	858.3	903.5	958.9
5. Services	1182.8	1201.8	1228.2	1253.1	1277.9	1303.2	1329.8	1358.6	1386.7	1416.5	8.5	8.6	8.5	1165.7	1265.6	1372.9
6. <u>Gross Private Domestic Investment</u>	662.8	635.5	645.4	671.7	691.4	695.4	691.6	699.5	681.4	679.1	35.1	6.1	1.8	637.3	676.0	687.9
7. Residential Structures	155.3	155.4	155.8	163.5	170.1	170.4	166.7	161.5	159.4	163.8	16.8	6.9	-1.3	154.4	165.0	162.9
8. Other Structures	151.4	157.5	161.5	167.1	171.1	175.2	179.1	182.5	184.9	186.3	15.9	12.3	8.6	150.3	168.7	183.2
9. Producers' Durables	284.2	291.4	299.9	305.3	309.3	313.6	317.0	320.0	322.4	324.2	23.5	11.3	4.5	275.8	307.0	320.9
10. Change in Inventories	71.8	31.1	28.2	35.5	40.9	36.2	28.8	35.5	14.7	4.8	----	----	----	56.8	35.2	21.0
11. <u>Net Export of Goods and Services</u>	-90.6	-64.3	-64.1	-73.3	-81.6	-80.9	-74.2	-70.0	-70.1	-67.4	----	----	----	-66.3	-75.0	-70.4
12. Exports	368.6	364.7	372.0	375.7	381.3	392.4	403.7	414.5	422.3	431.8	8.2	4.6	9.9	363.7	380.4	418.1
13. Imports	459.3	429.0	436.1	449.0	462.9	473.3	477.9	484.5	492.4	499.2	22.6	5.9	7.3	430.0	455.3	488.5
14. <u>Government Purchases of Goods and Services</u>	761.0	782.7	803.7	817.1	831.3	846.3	862.9	877.0	891.8	908.2	9.1	10.2	7.3	748.0	824.6	885.0
15. Federal	302.0	316.1	328.7	334.1	339.0	344.5	352.2	357.6	362.8	369.8	9.6	13.9	7.1	295.5	336.6	360.6
16. National Defense	220.3	231.4	241.8	245.6	251.6	256.6	263.2	268.4	273.7	279.8	10.5	12.4	9.0	221.5	248.9	271.3
17. Other, including NASA	81.7	84.6	86.9	88.5	87.3	87.9	89.0	89.2	89.1	90.0	6.8	18.4	1.9	74.0	87.7	89.3
18. State and Local	458.9	466.6	475.0	483.0	492.3	501.8	510.7	519.4	529.0	538.4	8.8	7.9	7.4	452.4	488.0	524.4
19. <u>Gross National Product</u>	3694.6	3752.5	3833.8	3903.1	3969.0	4030.5	4093.0	4164.1	4207.4	4279.1	10.8	7.5	6.4	3661.3	3934.1	4185.9
20. Amount of Change	49.9	57.9	81.3	69.3	65.9	61.5	62.5	71.1	43.3	71.7	----	----	----	320.8	278.0	248.6
21. % Change*	5.6	6.4	9.0	7.4	6.9	6.3	6.3	7.1	4.2	7.0	----	----	----	10.8	7.5	6.4
22. % Real Change*	1.6	3.9	5.4	4.4	2.9	1.7	1.7	2.3	-0.2	2.2	----	----	----	6.8	4.0	1.9
23. % Price Change*	3.9	2.4	3.4	2.9	3.9	4.5	4.6	4.8	4.4	4.7	----	----	----	3.7	3.3	4.4
24. Implicit Price Deflator	224.57	225.90	227.80	229.41	231.59	234.17	236.79	239.56	242.17	244.94	3.73	3.30	4.39	223.36	230.74	240.87
25. Change in Final Sales	28.7	98.6	84.2	62.0	60.5	66.2	69.9	64.4	64.1	81.6	----	----	----	----	----	----
26. GNP in 1972 Dollars	1645.2	1661.1	1683.1	1701.4	1713.8	1721.2	1728.5	1738.2	1737.4	1747.0	8.8	4.0	1.9	1639.0	1704.9	1737.8

*annual rates

Table 2.

Georgia State University
College of Business Administration
Economic Forecasting Project
February 1985

U.S. Real Expenditures for 1984-III and 1984-IV with Forecasts for 1985-I through 1986-IV

	1984		1985				1986				Percent Change			Annual		
	III	IV	I	II	III	IV	I	II	III	IV	83-84	84-85	85-86	1984	1985	1986
1. <u>Personal Consumption</u>	1065.9	1076.2	1091.9	1101.7	1109.8	1116.5	1122.6	1128.1	1135.2	1145.0	5.3	4.0	2.5	1062.6	1105.0	1132.7
2. <u>Durable Goods</u>	177.0	182.1	185.9	187.8	188.7	190.5	190.0	188.5	189.5	192.4	12.9	5.8	1.0	177.9	188.2	190.1
3. <u>Nondurable Goods</u>	395.5	397.5	404.3	407.5	410.8	411.6	414.4	417.3	419.4	421.9	4.8	3.6	2.4	394.2	408.6	418.3
4. <u>Services</u>	493.5	496.6	501.7	506.4	510.3	514.4	518.2	522.3	526.3	530.7	3.2	3.6	3.2	490.6	508.2	524.4
5. <u>Gross Private Domestic Investment</u>	300.2	289.1	292.2	301.9	307.3	305.4	301.0	302.4	292.5	288.9	31.1	4.2	-1.8	289.7	301.7	296.2
6. <u>Residential Structures</u>	60.1	59.8	59.5	61.6	63.1	62.2	60.0	57.4	56.0	56.8	12.3	2.1	-6.6	60.3	61.6	57.6
7. <u>Other Structures</u>	57.1	59.6	60.8	62.5	63.2	64.0	64.7	65.1	65.2	65.0	15.7	10.1	3.8	56.9	62.6	65.0
8. <u>Producers' Durables</u>	152.4	155.5	159.1	161.2	162.3	163.4	163.9	164.2	164.3	163.9	21.7	8.9	1.6	148.3	161.5	164.1
9. <u>Change in Inventories</u>	30.6	14.2	12.8	16.6	18.7	15.8	12.6	15.7	7.0	3.2	---	---	---	24.2	16.0	9.6
10. <u>Net Export of Goods and Services</u>	-27.0	-15.2	-16.0	-19.7	-22.7	-22.0	-18.8	-16.8	-16.5	-15.0	---	---	---	-15.5	-20.1	-16.8
11. <u>Exports</u>	147.4	146.2	149.4	150.3	151.5	154.7	157.9	160.9	162.2	163.9	4.5	3.9	6.4	145.8	151.5	161.2
12. <u>Imports</u>	174.4	161.4	165.4	170.0	174.2	176.7	176.7	177.7	178.7	178.9	27.1	6.4	3.7	161.3	171.6	178.0
13. <u>Government Purchases of Goods & Services</u>	306.1	311.0	315.0	317.5	319.4	321.3	323.7	324.5	326.2	328.1	3.5	5.3	2.3	302.2	318.3	325.6
14. <u>Federal</u>	125.0	129.1	132.0	133.4	134.5	135.5	137.4	137.8	138.7	139.9	5.3	9.4	3.4	122.4	133.9	138.5
15. <u>State & Local</u>	181.1	181.9	183.0	184.1	184.9	185.8	186.3	186.7	187.5	188.2	2.3	2.6	1.5	179.8	184.5	187.2
16. <u>Gross National Product</u>	1645.2	1661.1	1683.1	1701.4	1713.8	1721.2	1728.5	1738.2	1737.4	1747.0	6.8	4.0	1.9	1639.0	1704.9	1737.8
17. <u>Final Demand</u>	1618.5	1646.9	1670.3	1684.8	1695.1	1705.4	1715.9	1722.5	1730.4	1743.8	5.0	4.6	2.3	1614.8	1688.9	1728.2
18. <u>Private Domestic Product</u>	1467.2	1482.6	1504.6	1523.4	1535.7	1542.0	1548.2	1557.2	1555.4	1563.7	7.8	4.5	1.9	1460.8	1526.4	1556.1

Table 3.

Georgia State University
College of Business Administration
Economic Forecasting Project
February 1985

Income Related U.S. GNP Components for 1984-III and 1984-IV with Forecasts for 1985-I through 1986-IV

	1984		1985				1986				Percent Change			Annual		
	III	IV	I	II	III	IV	I	II	III	IV	83-84	84-85	85-86	1984	1985	1986
1. <u>Compensation of Employees</u>	2191.9	2226.2	2275.2	2314.3	2353.6	2389.2	2431.1	2462.8	2498.1	2539.7	9.5	7.4	6.4	2172.7	2333.1	2482.9
2. <u>Wage and Salary</u>	1819.1	1846.3	1881.1	1913.3	1945.2	1973.7	2003.7	2029.4	2057.6	2091.6	8.7	6.9	6.1	1803.7	1928.3	2045.6
3. Manufacturing	436.4	441.9	450.3	457.2	463.4	469.3	475.9	481.6	486.8	494.4	9.8	6.1	5.4	433.8	460.1	484.7
4. Other Commodity-Producing	136.9	138.0	139.2	142.7	145.8	147.6	149.2	149.7	150.8	153.3	8.9	6.3	4.8	135.3	143.8	150.8
5. Distributive Industries	436.4	442.9	450.5	457.7	464.8	470.9	478.1	483.6	490.4	497.6	8.4	6.7	5.7	432.0	461.0	487.4
6. Service Industries	457.3	466.7	476.3	486.1	496.4	506.1	516.2	525.0	535.1	546.6	9.6	8.5	8.0	452.8	491.2	530.7
7. Military	46.8	47.0	48.8	49.2	49.2	49.4	49.6	49.9	50.2	50.5	7.2	5.1	1.8	46.8	49.2	50.1
8. Civilian Government	305.2	309.9	316.0	320.4	325.6	330.4	334.7	339.6	344.3	349.2	6.7	6.6	5.8	303.1	323.1	342.0
9. <u>Supplements</u>	372.8	379.9	394.1	401.0	408.4	415.5	427.4	433.4	440.5	448.1	13.1	9.7	8.1	369.0	404.8	437.4
10. <u>Proprietors' Income</u>	153.7	160.4	156.0	156.6	161.7	163.7	161.7	161.0	161.6	164.8	27.1	3.1	1.7	154.7	159.5	162.3
11. Business & Professional	126.4	130.6	133.2	135.8	137.1	137.4	136.8	137.3	136.9	137.5	17.2	7.5	0.9	126.5	135.9	137.1
12. Farm	27.3	29.9	24.8	20.8	24.6	26.3	24.9	23.7	24.7	27.3	104.9	-14.7	4.2	28.3	24.1	25.2
13. <u>Rental Income</u>	63.0	63.8	64.6	65.5	66.4	67.3	68.2	69.1	70.0	71.0	7.1	5.6	5.5	62.5	66.0	69.6
14. <u>Net Interest</u>	293.5	297.1	297.0	300.6	306.7	310.6	314.5	321.7	323.8	328.6	11.1	6.6	6.1	285.1	303.7	322.2
15. <u>Corporate Profits Adj.</u>	282.8	285.8	291.5	304.5	310.6	311.7	309.2	310.3	307.4	313.2	26.2	7.1	1.8	284.3	304.6	310.0
16. <u>National Income</u>	2984.9	3033.3	3086.3	3141.5	3199.0	3242.5	3284.7	3324.9	3360.9	3417.3	11.8	7.0	5.8	2959.1	3167.3	3351.5
17. Indirect Business Tax	306.8	313.7	320.9	326.8	333.1	339.6	347.0	353.4	360.3	368.2	8.5	8.5	8.2	304.3	330.1	357.2
18. Capital Consumption Adj.	-16.3	-24.3	-30.7	-36.4	-39.7	-41.3	-39.5	-37.8	-37.7	-35.1	-----	-----	-----	-14.4	-37.0	-37.5
19. Capital Consumption Alw.	423.1	437.1	450.3	464.1	477.6	489.7	500.1	510.5	521.1	531.7	13.6	12.7	9.7	417.3	470.4	515.9
20. Business Transfers	17.5	18.0	18.4	18.9	19.4	19.9	20.5	21.0	21.5	21.1	10.9	10.7	11.1	17.3	19.2	21.3
21. Net Govt. Subsidies	-8.4	-13.3	-10.4	-9.7	-9.7	-7.9	-7.6	-7.2	-6.6	-6.2	-----	-----	-----	-14.4	-9.4	-6.9
22. Statistical Discrepancy	-13.0	-12.0	-0.7	-0.6	-10.7	-12.0	-12.2	-0.7	-12.1	-18.9	-----	-----	-----	-8.2	-6.0	-11.0
23. <u>Gross National Product</u>	3694.6	3752.5	3833.8	3903.1	3969.0	4030.5	4093.0	4164.1	4207.4	4279.1	10.8	7.5	6.4	3661.3	3934.1	4185.9

Table 4.

Georgia State University
College of Business Administration
Economic Forecasting Project
February 1985

Derivation of U.S. Personal Income for 1984-III and 1984-IV with Forecasts for 1985-I through 1986-IV

	1984		1985				1986				Percent Change			Annual		
	III	IV	I	II	III	IV	I	II	III	IV	83-84	84-85	85-86	1984	1985	1986
1. National Income	2984.9	3033.3	3086.3	3141.5	3199.0	3242.5	3284.7	3342.9	3360.9	3417.3	11.8	7.0	5.8	2959.4	3167.3	3351.5
2. Less: Corp. Profits Adj.	282.8	285.8	291.5	304.5	310.6	311.7	309.2	310.3	307.4	313.2	26.2	7.1	1.8	284.3	304.6	310.0
3. Social Insurance	308.1	312.5	333.4	337.9	343.1	347.9	361.7	364.7	369.5	375.2	12.2	11.3	8.0	306.0	340.6	367.8
4. Plus: Government Transfers	401.0	404.3	418.3	419.8	422.0	428.0	434.9	438.1	443.1	449.5	2.6	5.6	4.6	399.5	422.0	441.4
5. Old Age, Survivors, et	238.9	244.5	251.4	252.7	255.3	259.9	266.7	269.4	272.5	277.1	7.2	7.3	6.5	237.5	254.8	271.4
6. Unemployment Benefits	15.2	15.8	16.3	15.7	15.2	15.3	15.4	15.6	16.8	16.9	-39.1	-1.7	3.5	15.9	15.6	16.2
7. Veterans' Benefits	16.7	16.4	16.5	16.4	16.2	16.1	16.1	16.0	16.0	15.9	-0.6	-1.2	-1.8	16.5	16.3	16.0
8. Employees' Retirement	63.9	59.2	65.7	66.5	67.3	68.2	69.2	69.9	70.7	71.7	4.4	7.8	5.2	62.1	66.9	70.4
9. A.F.D.C.	14.6	14.6	15.0	14.9	14.7	14.6	14.4	14.3	14.3	14.4	3.5	0.7	-3.0	14.7	14.8	14.4
0. Other	52.5	54.0	53.4	53.6	53.3	53.9	53.1	52.9	52.8	53.5	3.1	1.4	-0.9	52.8	53.6	53.1
11. Business Transfers	17.5	18.0	18.4	18.9	19.4	19.9	20.5	21.0	21.5	22.1	10.9	10.7	11.1	17.3	19.2	21.3
12. Interest Transfers	155.8	163.2	166.6	169.0	173.7	178.7	184.0	190.2	196.3	202.6	25.1	14.9	12.4	149.7	172.0	193.3
13. Personal Dividends	78.5	80.2	81.5	83.1	84.6	86.0	87.1	88.3	89.2	90.3	10.5	7.9	5.9	77.7	83.8	88.7
14. Equals: Personal Income	3047.3	3100.4	3146.2	3189.4	3244.9	3295.5	3340.3	3387.5	3434.1	3493.4	9.8	6.8	6.1	3013.2	3219.0	3413.8
15. Less: Personal Tax Payments	440.9	451.0	451.1	459.9	471.0	480.9	476.4	486.1	495.6	503.1	7.6	7.0	5.3	435.1	465.7	490.3
16. Equals: Disposable Personal Income	2606.4	2649.4	2695.1	2730.0	2773.9	2814.6	2863.9	2901.4	2938.5	2990.3	10.2	6.8	6.2	2578.1	2753.4	2923.5
17. Less: Consumption	2361.4	2398.6	2448.8	2487.6	2527.9	2569.7	2612.7	2657.6	2704.3	2759.2	8.6	7.1	7.0	2342.3	2508.5	2683.5
18. Less: Other Outlays	80.9	84.6	87.8	90.4	93.6	96.6	99.4	102.1	104.8	107.8	19.2	16.9	12.4	78.8	92.1	103.5
19. Equals: Personal Savings	164.1	166.2	158.5	152.0	152.4	148.3	151.8	141.7	129.4	123.3	32.9	-2.6	-10.6	156.9	152.8	136.6
20. Savings Rate (%)	6.3	6.3	5.9	5.6	5.5	5.3	5.3	4.9	4.4	4.1	22.0	-8.6	-16.1	6.1	5.6	4.7

Table 5.

Georgia State University
College of Business Administration
Economic Forecasting Project
February 1985

U.S. Federal Government Activity for 1984-III and 1984-IV with Forecasts for 1985-I through 1986-IV

	1984		1985				1986				Percent Change			Annual		
	III	IV	I	II	III	IV	I	II	III	IV	83-84	84-85	85-86	1984	1985	1986
1. <u>Government Receipts</u>	702.6	717.0	736.1	751.9	768.0	779.5	786.3	797.4	807.2	820.1	9.7	7.9	5.8	703.5	758.9	802.8
2. Personal Tax & Non-Tax	319.7	327.3	325.0	332.0	340.6	348.3	341.4	348.9	356.2	361.2	6.6	6.9	4.6	314.8	336.5	351.9
3. Corporate Profits Tax	65.3	64.4	65.0	69.7	72.0	71.3	70.6	71.4	69.4	71.8	16.6	-0.3	1.9	69.7	69.5	70.8
4. Indirect Business Tax	56.1	56.5	57.4	58.0	58.7	59.4	60.9	61.4	62.0	62.8	6.3	4.8	5.8	55.7	58.4	61.8
5. Contributions for Social Security	265.2	268.8	288.7	292.2	296.7	300.5	313.4	315.7	319.6	324.3	12.7	11.8	8.4	263.4	294.5	318.3
6. <u>Government Expenditures</u>	886.8	917.3	937.2	943.8	952.5	966.1	979.3	990.6	1002.4	1019.4	7.3	8.0	5.1	879.9	949.9	997.9
7. <u>Purchases of Goods and Services</u>	302.0	316.1	328.7	334.1	339.0	344.5	352.2	357.6	362.8	369.8	9.6	13.9	7.1	295.5	336.6	360.6
8. Defense	220.3	231.4	241.8	245.6	251.7	256.6	263.2	268.4	273.7	279.8	10.5	12.4	9.0	221.5	248.9	271.3
9. Durables	66.3	72.9	77.0	79.8	83.1	85.7	89.9	92.7	95.7	99.3	16.9	17.8	16.0	69.1	81.4	90.4
10. Nondurables	11.8	12.4	12.1	12.2	12.6	12.8	13.0	13.3	13.5	13.8	-4.0	4.4	7.8	11.9	12.4	13.4
11. Military Compensation	46.8	47.0	48.8	49.2	49.2	49.4	49.6	49.9	50.2	50.5	7.1	5.2	1.8	46.7	49.2	50.1
12. Civilian Compensation	31.2	31.5	32.6	32.8	32.9	33.1	33.3	33.5	33.6	33.7	5.8	5.3	2.1	31.2	32.9	33.5
13. Other Services	58.7	62.5	65.9	66.3	68.4	70.1	72.0	73.4	75.0	76.7	12.3	17.5	9.8	57.6	67.7	74.3
14. Structures	5.4	5.2	5.4	5.3	5.5	5.5	5.4	5.6	5.7	5.8	6.5	10.7	3.7	4.9	5.4	5.6
15. Nondefense	81.7	84.6	86.9	88.5	87.3	87.9	89.0	89.2	89.1	90.0	22.1	3.6	1.9	84.6	87.7	89.3
16. Durables	3.7	3.9	3.8	4.0	4.1	4.1	4.1	4.0	4.0	4.1	5.7	8.1	1.2	3.7	4.0	4.1
17. Nondurables	8.3	9.4	9.5	11.2	9.5	9.5	10.2	9.4	9.1	8.9	---	---	---	0.8	9.9	9.4
18. CCC Inventory Change	3.0	3.8	4.3	5.8	4.1	4.0	4.6	3.7	3.2	3.0	---	---	---	-4.5	4.6	3.6
19. Other Nondurables	5.3	5.6	5.2	5.4	5.4	5.5	5.6	5.7	5.9	5.9	-7.0	1.4	7.4	5.3	5.4	5.8
20. Compensation	36.6	36.9	38.3	38.6	38.6	38.7	38.8	39.5	39.4	39.7	5.5	5.3	2.1	36.6	38.6	39.4
21. Other Services	26.3	27.3	28.1	27.7	28.0	28.4	28.8	29.3	29.7	30.2	6.1	7.5	5.2	26.1	28.1	29.5
22. Structures	6.8	7.1	7.2	7.0	7.1	7.2	7.1	7.0	6.9	7.1	3.0	4.8	-1.4	6.8	7.1	7.0
22. <u>Transfer Payments</u>	353.8	357.6	367.0	367.6	369.5	376.3	379.7	382.2	386.8	393.8	1.9	5.1	4.2	352.3	370.1	385.6
23. <u>Grants-in-Aid to State and Local Governments</u>	92.1	95.8	95.1	94.7	95.2	95.0	94.1	93.7	92.3	91.2	7.6	2.3	-2.3	92.9	95.0	92.8
24. <u>Net Interest Paid</u>	122.0	126.6	127.4	127.9	130.7	133.9	137.0	141.1	145.1	149.5	24.0	11.3	10.2	116.8	130.0	143.2
25. <u>Deficit of Government Enterprises</u>	16.5	21.5	19.0	19.5	18.1	16.4	16.3	16.0	15.4	15.1	-3.8	-18.9	-14.0	22.5	18.3	15.7
26. <u>Federal Surplus</u>	-180.6	-200.3	-201.1	-191.9	-184.5	-186.6	-193.0	-193.2	-195.2	-199.3	---	---	---	-161.3	-191.0	-195.2
27. <u>Federal Debt Held by Individuals</u>	1148.9	1198.7	1249.6	1282.1	1324.2	1369.5	1417.6	1448.5	1493.9	1543.2	10.4	15.8	13.0	1128.6	1306.4	1475.8
28. <u>Total Government Surplus</u>	-133.0	-148.1	-149.3	-139.6	-132.0	-135.1	-143.1	-144.4	-149.0	-152.7	---	---	---	-109.3	-139.1	-147.3

Table 6.

Georgia State University
College of Business Administration
Economic Forecasting Project
February 1985

Selected Economic Variables of the U.S. Economy for 1984-III and 1984-IV with Forecasts for 1985-I through 1986-IV

	1984		1985				1986				Percent Change			Annual		
	III	IV	I	II	III	IV	I	II	III	IV	83-84	84-85	85-86	1984	1985	1986
<u>Private Economy</u>																
1. Change in Private Hourly Wage Costs	3.4	3.5	5.7	3.8	4.4	4.7	5.9	4.0	5.2	5.1	---	---	---	3.6	4.2	4.9
2. Change in Output Per Worker Hour	-1.3	1.3	2.9	1.4	0.9	0.1	.0	1.3	-1.2	0.2	---	---	---	1.6	1.2	0.3
3. Change in Implicit Unit Labor Costs	4.8	2.2	2.9	1.9	3.9	4.5	5.7	3.1	6.2	4.9	---	---	---	1.9	2.9	4.5
4. Change in Private Price Deflator	3.9	2.1	2.7	2.7	3.7	4.6	4.4	4.7	4.5	4.6	---	---	---	3.4	3.0	4.3
<u>Prices</u>																
5. Consumer Price Index	312.3	315.2	317.1	319.8	322.8	326.5	330.4	334.8	338.3	343.0	4.2	3.4	4.7	311.0	321.6	336.6
6. Industrial Commod. (PPI)	323.2	323.3	322.8	324.3	327.3	329.8	332.5	335.0	338.7	342.7	2.1	1.1	3.4	322.4	326.1	337.2
<u>Corporate Economy</u>																
7. After Tax Profit	141.7	140.1	137.3	144.1	149.4	148.2	148.5	147.7	149.3	156.0	14.3	-0.6	3.9	145.7	144.8	150.4
8. Inventory Profits	-0.2	-1.7	0.5	-4.9	-10.6	-9.8	-11.2	-9.3	-12.2	-14.9	-49.4	9.3	91.9	-5.7	-6.2	-11.9
9. Genuine Profits	199.7	203.9	209.2	216.0	219.0	221.1	219.5	220.0	219.2	221.9	31.1	10.4	1.8	195.9	216.3	220.2
10. Mean Closing - Dow Jones	1182.4	1202.6	1273.6	1311.6	1261.5	1247.7	1228.4	1189.4	1223.4	1326.5	-0.9	7.9	-2.5	1179.8	1273.6	1241.9
11. Mean Closing - NY Composite	91.80	95.47	103.13	105.88	104.72	103.89	103.96	101.83	104.26	109.33	-0.3	13.0	0.4	92.36	104.41	104.85
<u>Financial</u>																
12. Monetary Base	213.4	215.9	220.0	224.5	227.9	231.6	235.0	239.1	242.9	246.8	8.7	6.9	6.6	211.4	226.0	241.0
13. Checkable Deposits	391.1	392.0	402.6	410.9	417.9	425.9	431.3	440.3	445.4	451.3	5.6	6.7	6.7	388.3	414.3	442.1
14. M1	547.0	549.6	562.8	573.6	583.2	593.6	601.4	613.1	621.1	630.1	6.6	6.6	6.6	542.5	578.3	616.4
15. Velocity of M1	6.673	6.775	6.732	6.728	6.730	6.712	6.725	6.709	6.689	6.706	4.0	0.8	-0.3	6.673	6.726	6.707
16. M2	2292.1	2346.3	2412.6	2467.4	2519.4	2573.7	2618.8	2675.2	2724.6	2776.2	7.8	9.4	8.2	2279.2	2493.3	2698.7
17. Velocity of M2	1.593	1.580	1.570	1.564	1.558	1.548	1.544	1.538	1.525	1.522	2.8	-1.7	-1.8	1.587	1.560	1.532
18. Federal Funds	11.39	9.26	8.66	9.21	9.82	9.96	9.63	9.78	9.16	8.53	12.2	-7.7	-1.5	10.19	9.41	9.28
19. Prime Rate	12.99	11.80	10.50	11.12	11.64	11.75	11.75	11.75	11.43	10.72	11.6	-6.6	1.4	12.04	11.25	11.41
20. 6 Month T-Bills	10.53	8.98	8.39	8.85	9.43	9.41	9.06	9.11	8.67	8.32	11.6	-7.5	-2.5	9.75	9.02	8.79
21. Seasoned AAA Corp.	12.99	12.35	11.94	12.17	12.36	12.49	12.31	12.27	11.93	11.62	5.6	-3.7	-1.7	12.71	12.24	12.03
22. FHA Mortgage Rates	14.26	13.42	12.89	13.26	13.53	13.68	13.46	13.32	12.91	12.73	4.7	-3.9	-1.8	13.89	13.34	13.11
<u>Miscellaneous</u>																
23. Housing Starts	1664	1551	1617	1845	1865	1738	1690	1551	1578	1584	3.1	-0.2	-9.4	1770	1766	1601
24. Single Family Starts	979	1001	1065	1163	1192	1106	1083	1005	1046	1073	2.4	3.1	-7.0	1098	1132	1052
25. Unit Auto Sales	10.30	10.17	10.63	10.82	10.71	10.49	10.26	9.63	9.72	10.11	13.2	2.5	-6.9	10.40	10.66	9.93
26. Civilian Employment	105.306	105.951	106.440	107.557	108.344	108.936	109.460	109.951	110.263	110.756	4.2	2.7	2.1	105.003	107.869	110.108
27. Unemployment Rate	7.5	7.2	7.4	7.2	6.9	6.9	6.9	6.9	7.2	7.2	-21.4	-5.6	-0.7	7.5	7.1	7.1
28. Industrial Production	165.7	165.2	168.1	170.3	171.4	170.7	169.8	170.3	168.6	169.7	10.7	4.1	-0.3	163.4	170.1	169.6
29. Asset-Consumption Ratio	3.147	3.169	3.209	3.218	3.198	3.184	3.180	3.157	3.160	3.173	-0.2	1.4	-1.1	3.157	3.202	3.168

Table 7.

Georgia State University
College of Business Administration
Economic Forecasting Project
February 1985

U. S. Foreign Trade Accounts for 1983 and 1984 with Forecasts for 1985 and 1986

	1983	1984	1985	1986	Percent Change			
					82-83	83-84	84-85	85-86
<u>Exports of U.S. Merchandise</u>	<u>200662</u>	<u>218015</u>	<u>231086</u>	<u>252825</u>	<u>-5.4</u>	<u>8.7</u>	<u>6.0</u>	<u>9.4</u>
Food & Live Animals	24167	24485	26039	28488	0.9	1.3	6.4	9.4
Beverages & Tobacco	2813	2849	3679	3890	-7.0	1.3	29.1	5.7
Crude Materials	18716	20203	21761	24448	-2.8	8.0	7.7	12.3
Mineral Fuels	9560	9273	10248	10735	-24.9	-3.0	10.5	4.8
Animal & Vegetable Oils	1459	1922	1960	1980	-5.3	31.7	2.0	1.0
Chemicals	19755	22362	22968	25825	-0.7	13.2	2.7	12.4
Manufactured Goods	14872	15160	16645	18760	-11.2	1.9	9.8	12.7
Machinery, Trans. Equipment	82527	90123	99910	108218	-5.3	9.2	10.9	8.3
Miscellaneous Manufacturing	15251	15708	17523	19425	-4.4	3.0	11.6	10.9
Commodities, n.e.c.	6975	10098	10355	11058	1.6	44.8	2.5	6.8
<u>Imports of Merchandise</u>	<u>258141</u>	<u>326216</u>	<u>343183</u>	<u>366622</u>	<u>5.8</u>	<u>26.4</u>	<u>5.2</u>	<u>6.8</u>
Food & Live Animals	15412	17965	18558	19700	6.6	16.6	3.3	6.2
Beverages & Tobacco	3408	3721	4286	4428	1.3	9.2	15.2	3.3
Crude Materials	9601	11128	12283	13300	11.8	15.9	10.4	8.3
Mineral Fuels	57952	60894	58950	61974	-11.4	5.1	-3.2	5.1
Animal & Vegetable Oils	495	697	710	699	22.0	40.7	1.9	-1.6
Chemicals	10803	13798	16285	18610	13.8	27.7	18.0	14.3
Manufactured Goods	34842	46244	49223	53280	5.1	32.7	6.4	8.2
Machinery, Trans. Equipment	86211	119410	127154	133379	17.6	38.5	6.5	4.9
Miscellaneous Manufacturing	33744	42501	45120	48760	20.3	26.0	6.2	8.1
Commodities, n.e.c.	7742	9775	10615	12493	0.4	26.3	8.6	17.7
<u>Foreign Transactions</u>								
<u>Total Exports</u>	<u>336.2</u>	<u>363.7</u>	<u>380.4</u>	<u>418.1</u>	<u>-3.5</u>	<u>8.2</u>	<u>4.6</u>	<u>9.9</u>
Merchandise Exports	198.6	218.0	232.1	253.5	-5.1	9.8	6.5	9.2
Factor Income	84.1	92.6	94.7	108.1	-2.8	10.1	2.2	14.2
Other Services	53.5	53.1	53.6	56.5	1.5	-0.8	1.0	5.5
<u>Total Imports</u>	<u>344.4</u>	<u>430.0</u>	<u>455.3</u>	<u>488.5</u>	<u>4.6</u>	<u>24.8</u>	<u>5.9</u>	<u>7.3</u>
Merchandise Imports	258.9	327.2	343.7	367.1	5.9	26.4	5.1	6.8
Factor Income	35.8	47.7	49.8	55.8	-7.3	33.1	4.5	12.0
Other Services	49.7	55.2	61.9	65.7	7.6	11.0	12.2	6.1
Transfer	8.0	8.7	8.8	9.2	6.7	9.1	0.9	4.0
Government Interest	17.7	19.5	21.7	23.7	-2.2	10.0	11.2	9.4
<u>Net Foreign Investment</u>	<u>-33.9</u>	<u>-94.5</u>	<u>-105.4</u>	<u>-103.3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Table 8.

Georgia State University
College of Business Administration
Economic Forecasting Project
February 1985

Implicit Price Deflators for Personal Consumption Expenditures for 1984-III and 1984-IV with Forecasts for 1985-I through 1986-IV

	1984		1985				1986				Percent Change			Annual		
	III	IV	I	II	III	IV	I	II	III	IV	83-84	84-85	85-86	1984	1985	1986
<u>Durable Goods</u>	<u>179.2</u>	<u>178.3</u>	<u>179.2</u>	<u>179.7</u>	<u>180.7</u>	<u>181.6</u>	<u>182.8</u>	<u>184.2</u>	<u>185.5</u>	<u>187.4</u>	<u>0.7</u>	<u>0.7</u>	<u>2.6</u>	<u>179.0</u>	<u>180.3</u>	<u>185.0</u>
% Change	-0.7	-2.0	3.2	3.4	2.0	2.7	3.1	2.9	4.2	4.2						
Automobiles	198.5	198.4	200.4	201.2	202.5	203.8	205.4	207.4	208.2	210.0	1.8	2.2	2.9	197.6	202.0	207.8
% Change	2.2	-0.2	5.8	4.3	2.6	3.2	4.0	1.6	3.5	3.5						
Furniture	156.1	155.2	154.9	155.1	155.9	156.4	157.4	158.5	159.7	160.8	-1.0	-0.6	2.3	156.5	155.6	159.1
% Change	-3.3	-2.3	-0.8	0.5	2.1	1.3	2.6	2.8	3.1	2.8						
Other Durables	189.7	189.4	188.9	189.1	190.2	192.4	194.4	197.2	199.7	202.3	1.7	0.6	4.3	189.0	190.2	198.4
% Change	1.5	-0.6	-1.1	0.4	2.3	4.7	4.2	5.9	5.2	5.3						
<u>Nondurables</u>	<u>217.8</u>	<u>219.4</u>	<u>219.5</u>	<u>220.1</u>	<u>221.3</u>	<u>223.6</u>	<u>225.8</u>	<u>228.1</u>	<u>230.3</u>	<u>232.8</u>	<u>2.2</u>	<u>1.6</u>	<u>3.7</u>	<u>217.7</u>	<u>221.1</u>	<u>229.3</u>
% Change	2.6	2.9	0.2	1.1	2.2	4.2	4.0	4.1	3.9	4.4						
Food	229.3	230.6	232.5	234.6	235.3	238.4	242.0	244.8	247.8	250.1	4.0	2.6	4.7	229.3	235.2	246.2
% Change	1.6	2.6	3.0	3.7	1.2	5.4	6.2	4.7	5.0	3.8						
Apparel	145.2	148.2	147.1	146.8	147.7	148.9	149.5	150.8	151.8	153.6	1.3	1.5	2.6	145.4	147.6	151.4
% Change	4.5	8.5	-2.9	-0.8	2.5	3.3	1.6	3.5	2.7	4.8						
Gasoline & Oil	334.6	338.6	329.7	327.6	331.8	332.9	330.7	333.3	337.1	341.1	-1.7	-2.5	1.5	339.1	330.5	335.6
% Change	-8.9	4.9	-10.1	-2.5	5.2	1.3	-2.6	3.2	4.6	4.8						
Fuel Oil	538.1	535.8	532.8	527.5	530.6	535.7	541.4	544.2	548.8	560.2	2.3	-2.2	3.2	543.6	531.7	548.7
% Change	-8.1	-1.7	-2.2	-3.9	2.4	3.9	4.3	2.1	3.4	8.6						
Other Nondurables	222.2	222.9	224.0	225.5	227.7	230.1	232.2	234.6	237.2	239.7	3.2	2.9	4.0	220.4	226.8	235.9
% Change	6.4	1.3	2.0	2.7	4.0	4.3	3.7	4.2	4.5	4.3						
<u>Services</u>	<u>239.7</u>	<u>242.0</u>	<u>244.8</u>	<u>247.5</u>	<u>250.4</u>	<u>253.3</u>	<u>256.6</u>	<u>260.1</u>	<u>263.5</u>	<u>266.9</u>	<u>5.1</u>	<u>4.8</u>	<u>5.1</u>	<u>237.6</u>	<u>249.0</u>	<u>261.8</u>
% Change	6.4	4.0	4.7	4.5	4.8	4.7	5.3	5.6	5.3	5.3						
Housing	225.9	229.3	232.6	235.8	239.0	242.3	245.9	249.7	253.4	257.1	5.6	6.0	5.9	223.9	237.4	251.5
% Change	7.4	6.2	5.9	5.6	5.5	5.6	6.1	6.3	6.1	6.0						
Electricity & Gas	350.9	345.2	347.8	352.0	357.5	362.7	368.3	375.5	380.6	386.4	4.7	4.0	6.4	341.5	355.0	377.7
% Change	18.0	-6.3	3.0	4.9	6.4	5.9	6.3	8.1	5.5	6.2						
Household Operations	198.2	200.6	203.6	206.2	208.2	209.6	212.2	214.1	216.4	218.5	6.5	4.9	4.1	197.2	206.9	215.3
% Change	5.4	4.9	6.1	5.2	3.9	2.7	5.1	3.6	4.4	3.9						
Transportation	240.6	244.4	247.2	250.2	253.4	257.0	260.2	264.8	268.7	273.0	4.5	5.3	5.8	239.2	252.0	266.7
% Change	5.9	6.5	4.7	4.9	5.2	5.8	5.1	7.3	6.0	6.6						
Other Services	245.6	248.0	250.2	252.2	254.8	257.5	260.4	263.3	266.3	269.3	4.9	4.0	4.4	244.0	253.7	264.8
% Change	4.7	4.0	3.6	3.2	4.2	4.3	4.6	4.5	4.6	4.6						
<u>Personal Consumption Expenditures</u>	<u>221.5</u>	<u>222.9</u>	<u>224.3</u>	<u>225.8</u>	<u>227.8</u>	<u>230.2</u>	<u>232.7</u>	<u>235.6</u>	<u>238.2</u>	<u>241.0</u>	<u>3.2</u>	<u>3.0</u>	<u>4.3</u>	<u>220.4</u>	<u>227.0</u>	<u>236.9</u>
% Change	4.3	2.5	2.5	2.7	3.6	4.3	4.4	5.1	4.5	4.8						
<u>Consumer Price Index</u>	<u>312.3</u>	<u>315.2</u>	<u>317.1</u>	<u>319.8</u>	<u>322.8</u>	<u>326.5</u>	<u>330.4</u>	<u>334.8</u>	<u>338.3</u>	<u>343.0</u>	<u>4.2</u>	<u>3.4</u>	<u>4.7</u>	<u>311.0</u>	<u>321.6</u>	<u>336.6</u>
% Change	3.5	3.8	2.4	3.4	3.8	4.7	4.9	5.4	4.2	5.7						

Table 9.

Georgia State University
College of Business Administration
Economic Forecasting Project
February 1985

Implicit Price Deflators with Annual Percentage Changes for 1984-III and 1984-IV with Forecasts for 1985-I through 1986-IV

	1984		1985				1986				Percent Change			Annual		
	III	IV	I	II	III	IV	I	II	III	IV	83-84	84-85	85-86	1984	1985	1986
GNP Deflator	224.57	225.90	227.80	229.41	231.59	234.17	236.79	239.56	242.17	244.94	3.73	3.30	4.39	223.38	230.74	240.87
% Change	4.0	2.4	3.4	2.9	3.9	4.5	4.6	4.8	4.4	4.7						
Personal Cons. Exp.	221.5	222.9	224.3	225.8	227.8	230.2	232.7	235.6	238.2	241.0	3.18	3.01	4.34	220.4	227.0	236.9
% Change	4.3	2.6	2.5	2.7	3.6	4.3	4.4	5.1	6.5	4.8						
Private Domestic Investment	220.79	219.82	220.90	222.49	224.99	227.70	229.77	231.32	232.96	235.06	3.1	1.3	4.2	219.99	222.82	232.28
% Change	-0.1	-1.7	2.0	2.9	4.6	4.9	3.7	2.7	2.9	3.7						
Structures	265.2	264.5	265.8	267.8	270.7	273.8	276.8	280.4	283.6	286.6	0.2	2.0	4.6	264.1	269.5	281.9
% Change	1.7	-1.1	1.7	3.4	4.4	4.7	4.5	5.3	4.6	4.3						
Producers' Durables	186.5	187.4	188.5	189.4	190.6	191.9	193.4	194.9	196.2	197.8	1.5	2.2	2.9	186.0	190.1	195.6
% Change	2.4	1.9	2.4	1.9	2.6	2.8	3.2	3.1	2.7	3.3						
Residential Structures	258.6	259.8	261.9	265.5	269.6	273.9	277.8	281.3	284.6	288.3	3.9	4.6	5.7	255.9	267.7	283.0
% Change	4.3	1.9	3.3	5.6	6.3	6.5	5.8	5.1	4.8	5.3						
Exports	250.1	249.4	249.0	249.9	251.7	253.7	255.6	257.6	260.3	263.5	3.5	0.7	3.3	249.4	251.1	259.3
% Change	-0.5	-1.1	-0.6	1.5	2.9	3.2	3.0	3.2	4.3	5.0						
Imports	263.3	265.8	263.6	264.1	265.7	267.9	270.4	272.6	275.6	279.1	-1.8	-0.5	3.4	266.6	265.3	274.4
% Change	-9.0	3.9	-3.3	0.8	2.5	3.4	3.8	3.3	4.5	5.2						
Federal	241.5	244.8	248.9	250.5	252.1	254.2	256.4	259.5	261.6	264.3	4.0	4.2	3.6	241.4	251.4	260.5
% Change	1.5	5.6	6.9	2.6	2.6	3.4	3.5	4.9	3.3	4.2						
Federal Purchases	256.6	260.4	261.5	263.0	265.4	268.3	271.3	274.8	278.0	281.5	3.2	2.8	4.5	257.3	264.6	276.4
% Change	2.1	6.2	1.6	2.3	3.7	4.4	4.6	5.3	4.7	5.1						
Federal Value Added	220.7	221.8	229.6	231.0	231.2	231.7	232.3	234.5	234.7	235.6	5.1	4.7	1.5	220.6	230.9	234.3
% Change	0.7	2.0	14.8	2.5	0.4	0.9	1.0	3.8	0.3	1.5						
State & Local	253.5	256.5	259.7	262.4	266.3	270.1	274.1	278.1	282.1	286.1	6.3	5.2	5.9	251.6	264.6	280.1
% Change	5.7	4.8	5.1	4.2	6.1	5.8	6.1	6.0	5.9	5.8						
State & Local Purchases	261.5	263.0	264.2	265.8	268.7	272.1	275.6	279.0	282.4	286.0	4.4	2.9	4.9	260.1	267.7	280.8
% Change	3.9	2.2	1.9	2.4	4.4	5.2	5.3	5.0	5.0	5.2						
State & Local Value Added	247.8	252.0	256.4	259.9	264.5	268.7	273.1	277.5	281.9	286.1	7.6	6.7	6.6	245.8	262.4	279.7
% Change	6.6	7.0	7.2	5.6	7.3	6.5	6.7	6.6	6.5	6.1						

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Economic Forecasting Project
Donald Ratajczak, Director
College of Business Administration
Michael H. Mescon, Dean

Georgia State University is a unit of the University System of Georgia.

RECESSION LIKELY LATE IN 1986

Dr. Donald Ratajczak
Director
Economic Forecasting Project
Georgia State University

COMMENTARY

Recent Activity

Sluggish growth in the U. S. economy during the first quarter has once again raised the question of whether a new recession may soon develop. Manufacturing activity unquestionably is being impacted by import competition. Indeed, goods production actually declined 1.2% at annual rates in the first quarter although unusually harsh weather and the resulting use of utilities caused the industrial production index to rise slightly. The Employment Situation for April indicates that sluggishness in manufacturing is continuing, although the serious drain upon nondurable manufacturing jobs seems to be ending.

Despite weakness in manufacturing, expansion in construction and services should permit reasonably robust gains in economic activity during the spring and summer quarters. In April, the index of hours worked in the private economy exceeded first quarter averages by a 2.1% annual rate. Further gains in hours should be anticipated during the remaining months of this quarter. Of course, productivity could be negative, as it was during the first quarter. However, the weakness in production during February and the sluggishness in retail sales during March probably caught employers by surprise. Therefore, the first quarter productivity decline probably reflected the inability to adjust payrolls to declining orders. If insufficient demand exists, payroll adjustments in the spring would lead to sharply reduced gains in personal income and to further consumer weakness. Employment gains will remain sluggish until excess labor is either eliminated or absorbed with the aid of increasing final demand.

Thus, the issue of where the economy is moving next very much depends upon the consumer. Apparently, sharp delays in tax refunding disbursements have significantly reduced consumer spending. The shortfall in February exceeded \$2.5 billion, while an additional \$4.5 billion of refund shortfall developed in March. Some refund gains are expected in April, but the bulk of the refund shortfall will be disbursed in May. According to hypotheses of consumer spending based upon normal income, these temporary fluctuations in disposable income should have no noticeable effect upon consumer behavior. However, the consumer is already overloaded with debt, with installment debt growing at an annual rate of 26% in February, and probably feel some liquidity restraints in March with a minor overhang in April. If so, retail activity should return to normal in April following the 0.5% reduction in consumer outlays in March. Then above normal retail activity is possible in May and June before more normal consumer spending reappears during the summer months.

Some evidence already exists to show that consumers are again spending. Automobile sales, with the aid of significant financing incentives, have rebounded to more than 11 million units at annual rates in the middle of April. Weekly borrowings of commercial paper have increased sharply in the latter half of April after remaining stagnant through much of March. Money growth also has rebounded, although fluctuations in the deposits to checkable accounts as a result of the refunding problem clearly are distorting the money numbers. Indeed, a surge in money expansion is anticipated in May before modest money growth in June and July returns that indicator to a more reasonable relationship relative to economic conditions.

When the refund checks are disbursed, the savings rate will temporarily rebound past 6%, providing ample income flows to support stronger consumer activity. By the summer months, however, savings are expected to fall once again. By the end of 1985, consumer installment debt will exceed 18% of disposable income. This should lead to a significant downward adjustment in purchases of durable goods by the latter part of 1986. However, consumer support for the economy should be ample until that time.

Construction currently is booming. Housing starts are now expected to exceed 1.8 million in 1985 as a result of substantial strength in rental units. Continued construction of office buildings and the disbursement of highway funds assure vigorous gains in construction throughout 1985. For example, after adjustment for inflation, structures are expected to expand nearly 8% in 1985, following a 12.4% rate of expansion in 1984. As with consumer durables, however, this strength is expected to dissipate in 1986. First, the highway disbursements have been lumped into 1985. While further disbursements are anticipated, they will not be of the magnitude that developed this year. Second, both rental property and office construction appear to be stimulated by attempts to place properties on the books of investment syndicators before possible tax changes reduce the tax consequences of such facilities. This is generating a significant bunching of construction activity. Even if interest rates fall in 1986, the stimulation of single-family homes will not be sufficient to overcome weakness in other construction activity.

Because of import pressures, American industries still must remain technologically advanced. A rebound in orders for nondefense capital goods in February indicates that sufficient demand for capital goods exist not only to provide substantial purchases from abroad but also to induce increased activity in the domestic capital goods industries. While the growth of producers' durables cannot possibly duplicate the 21.5% inflation adjusted expansion experience in 1984, gains of more than 8% are likely in 1985. However, the surge in investment for auto and truck components in that durable equipment, gains of 36% and 49% respectively in 1984, simply cannot be sustained. Both those components are expected to trend downward early in 1986.

If final demand does not rebound during the second quarter, inventory holdings will be excessive. Those holdings already are excessive in retailing as a result of weak March purchases. The above areas of strength in consumer and investment activity, however, indicate that sufficient expansion will develop in final demand to eliminate these inventory imbalances without requiring any significant production correction. Nevertheless, inventory investments should no longer provide significant support for economic growth in the next two years.

State and local governments currently are experiencing more than \$11 billion in operating surpluses. Normally, such a significant surplus would lead

to substantial expansion of governmental activity. However, budgetary restraint programs in Washington, including the elimination of general revenue sharing, will restrain state and local governments from significantly expanding their activities. While employment is expected to accelerate slightly, as many states try to upgrade their educational services, governmental purchases are expected to grow more slowly in 1985 than in 1984. By 1986, reduced highway spending should generate even further slowing in the state and local government sectors.

Although some possibilities of a premature end to this economic expansion are possible in 1985, for there exists a minor inventory overhang and the consumer may not support the economy as strongly as anticipated in this forecast, the more likely time for an economic downturn is in 1986. By that time, the current surge in construction activity will have been reversed. Heavy consumer debt should reduce consumer desires to acquire consumer durables. Also, budgetary restraints will be slowing the growth in government. While weakness in the dollar is expected, our analysis shows that the trade weighted value of the dollar in 1986 still will exceed 1983 values. Indeed, the dollar is only expected to decline about 5% in 1986 from 1985 averages. This will permit some improvement in net exports, with exports projected to grow 6% after adjustment for inflation in 1986 while a sluggish domestic economy should hold imports to only a 2.4% gain. However, it appears unlikely that the trade stimulus will be sufficient to offset the adverse performance of construction and consumption. Indeed, a much more sharply falling dollar would begin to generate significant inflationary pressures. This increased inflation, in turn, would probably undermine consumer spending by a larger amount than the falling dollar would stimulate manufacturing activity. Thus, a recession appears to be on the horizon, though the period of economic decline is more likely to develop in the latter half of 1986 than in 1985.

Assuming the weakness in productivity was caused by temporary labor market imbalances during the first quarter, inflationary pressures should only grudgingly intensify. Prices of petroleum products firmed late in the winter and should add to consumer price pressures during the spring. However, this inflationary run-up in oil products is expected to be temporary. Food prices should remain well-behaved until the latter months of 1985, when attempts to rebuild animal herds could exert significant upward pressure upon meat prices. Even here, however, the increase in meat prices should not continue beyond the early months of 1985. Finally, anticipated declines in the dollar's value are not expected to be sufficient to generate substantial inflationary pressures except in crude materials. While the GNP deflator is expected to increase by 4.5% in 1985, it should only advance by 4.6% in 1986. Consumer prices actually should grow more slowly in 1985 than in 1984 before rebounding to a gain of 4.8% in 1986.

At the present time, the financial markets are showing difficulty in determining where the economy is going. Strength in the bond market along with weakness in the stock market suggest that a recession may soon appear. On the other hand, the currency markets have once again rebounded following a significant correction during March. This suggests that financial institutions and foreign investors perceive an increase in investment opportunities in the United States, a condition that normally is incompatible with impending recession. As economic activity slowly intensifies during the spring and summer months, interest rates are expected to gradually increase. At the same time, only moderate gains in interest rates but substantial improvement in corporate earnings should lead to one more burst in stock market values. Currency markets should continue to maintain the dollar's rally into the summer months. By that

time, however, a more fundamental correction in the value of the dollar is anticipated.

In summary, growth in construction and services should be sufficient to offset continued weakness in manufacturing through the remainder of 1985. Although a declining dollar should stimulate export sales and reduce import competition in 1986, this area of economic support is not expected to be sufficient to offset weakness in construction and consumer durable spending at that time. Moreover, budgetary restraint will lead to diminishing economic support from the government sector. Although inflationary pressures are not expected to intensify significantly and interest rates should only slowly rise into 1986, sufficient economic imbalances should be in place to create a recession before the end of 1986.

Recent Performance

Economic activity in the first quarter was surprisnly weak. Part of this weakness was induced by a significant acceleration in the price deflator. However, nominal GNP was significantly overstated as well. The deflator problem appears to be the result of a sharp drop in the price of imported goods that has not yet filtered into other price indicators. Because imported goods are an offset to other GNP components, price weakness there actually leads to a higher GNP deflator. Some of this will be corrected in the second and subsequent quarters, although higher prices for petroleum products and subsequently higher prices for meat will prevent the deflator from fully correcting to levels we had previously anticipated. As the cause of this deflator error is the result of composition shifts in the GNP components, it had little effect upon estimates of other inflationary indices.

Net exports also accounted for the major source of weakness in domestic production. The surge in imports despite significant restraint in petroleum imports was not fully anticipated. Possibly, imports were once again built up to create inventories before a weakening dollar raised prices. Such a surge in inventory building from imported goods developed during the third quarter of 1984, but the dollar weakness never materialized. This time, however, weakness did develop. If this is the explanation, then net exports should not deteriorate significantly in the second quarter despite an obvious surge in petroleum imports.

Although the refunding delays undoubtedly distorted disposable income and savings, they had only a minor effect upon personal consumption. This is to be anticipated, as the only reason why such refunding delays should reduce consumption is the reduced liquidity of the household sector. Both disposable income and savings should surge above previous anticipations in the second quarter as the delayed tax refunds are disbursed. It is possible that our estimates of personal consumption are understated for that quarter, while estimates of inventory accumulations could be excessive.

The tax refund problem also distorted federal receipts and federal borrowings. In effect, the federal government was able to borrow at zero interest from the overpaying taxpayer. By June 1, however, this form of borrowing becomes very expensive and the government is expected to seek more traditional sources of funding by that time.

The housing surge during the first quarter was stronger than anticipated, as the prebuilding of rental units exceeded our anticipations. Such prebuilding should continue to distort housing figures for much of 1985.

Obviously, the weakness during the first quarter that was generated by tax refund delays should be reversed during the remainder of the year. To that extent, economic growth in 1985 should not be significantly altered by the first quarter's weakness. However, the weakness in net exports at least partially must alter our estimates of trade flows. This necessitates a downward projection in the share of American purchases that is being provided by American producers. As a result, economic activity is not expected to be as robust as projected three months ago.

Assumptions

Two major policy assumptions concern budgetary restraint and tax reform. Both policy initiatives are expected to be enacted in modified form. In the budgetary reform package, the major modification is expected to be no adjustment to cost-of-living provisions in Social Security. However, adjustments were assumed for other index programs, including employee retirement and food stamp programs. General revenue sharing was assumed to be discontinued at the beginning of 1986. Further restraints were imposed upon transportation subsidies and community development grants. As a result, grants-in-aid to state and local governments are projected to decline sharply in 1986. Also, the administration's proposal of a decline in government wages was not assumed, but a wage freeze for 1986 was incorporated. Elimination of purchases for the strategic petroleum reserve also was assumed.

The major impact of tax reform was in a shift in investment activity in the construction sector. As noted above, this shift in activity already appears to be substantial. Some of the assumptions for tax reform were as follows:

- a) Marginal tax rates were assumed to fall to three brackets of 15%, 25%, and 35% for individuals. Two brackets were expected for corporations, with a 15% bracket up to \$100,000 and a 35% bracket thereafter.
- b) A floor on charitable contributions of 1% was assumed before deductibility. On the other hand, health benefits were taxable only on the first \$100 of employer-provided care. Other benefit assumptions were not expected to be altered.
- c) Tax deductibility for state and local taxes was assumed to be eliminated.
- d) Investment tax credit was assumed to be eliminated.
- e) Rapid depreciation schedules were assumed to be imposed upon economic gas of depreciable assets.
- f) Capital gains were assumed to be eliminated, but the basis for ordinary income was indexed. Some undefined definition of venture capital is assumed to prevail, but no economic impact was assumed.
- g) The deductibility of half dividend payments was not assumed to be enacted.
- h) Inflation adjustment for interest earnings and interest expenses was not expected to be enacted.

Some of the assumptions about Federal Reserve activity are contained in the financial components in Table 6. In general, the Federal Reserve is expected to be modestly accommodative throughout 1985 and 1986. Other assumptions are as follows:

- a) Social Security taxes are scheduled to increase to 7.15% for both employer and employee on a projected wage base of \$41,400 in 1986. In 1987 the wage base is expected to increase to \$43,100. Cost-of-living adjustments for Social Security recipients are assumed to be 4.0% in the first quarter of 1986 and 4.5% in the first quarter of 1987.
- b) Military pay is expected to increase 3% in June 1985 and 4% in January 1987. Civilian pay is expected to increase 4% in January 1987 while the post office is expected to receive pay increases under their contract in both years. Military employees were expected to reach 2.255 million early in 1987 while civilian payrolls were projected to increase 25,000 over the next two years.
- c) No reductions in excise taxes were assumed for cigarettes or telephones during the two-year forecast. No further changes in postal rates were assumed.
- d) Oil prices were expected to firm, averaging \$28.30 in the spot market in 1985 and \$29.20 in 1986. A \$2 increase in OPEC price was anticipated early in 1987.
- e) World trade is expected to grow 5% in 1985 and 4% in 1986. The concentration of that trade in the United States depends upon currency changes, which are presented in Table 7. No unusual crop failures or other demand distorting conditions were assumed to disrupt world trade in the forecast period. Also, no significant strike activity was incorporated in the forecast.

CONCLUSION & SUMMARY

Although the strength of the dollar has significantly reduced manufacturing activity in the United States, sufficient strength is expected to develop in construction and consumer spending to maintain a reasonable base of economic expansion through 1985. Some of this construction expansion is caused by fears of tax changes and will fall off sharply in 1986. Also, consumer debt is expected to become a significant restraint upon purchases of consumer durables in 1986. As a result, recessionary possibilities become probabilities by the middle of 1986.

Our forecast indicates that the dollar's value should fall modestly in the next two years. As a result, net exports should begin adding to economic activity in 1986. However, this will be insufficient to offset developing weakness from the reduction in consumer and construction activity.

In addition, budgetary restraint will adversely influence purchases of federal and state and local governments. Thus, the government sector will be providing decreasing support for the economy in 1986 even as consumer restraint and construction reductions are developing.

Inflationary pressures should only increase modestly, as the dollar's weakness is not sufficient to have significant impact upon inflationary pressures. Poor productivity performance early in 1985 appears to be the result of unanticipated weakness in sales and should be eliminated by moderate employment gains despite increasing gains in final demand during the spring and summer quarters. Nevertheless, labor cost should rise noticeably in 1985 and 1986. The result of this increased cost pressure will be moderate reductions in corporate profitability. This, in turn, will lead to some moderate weakness in stock market values.

Although a rebound in economic activity and in government borrowings is expected in the spring and summer months, the magnitude of this developing strength should not be sufficient to cause a dramatic increase in interest rates. Some increase in interest rates is anticipated, however, until renewed economic weakness becomes apparent early in 1986.

Because of weakness during the first quarter, economic activity in 1985 will expand only by 3.5%, somewhat lower than previously anticipated and lower than provided in the administration's projections. Enough areas of strength exist to delay recession until the latter part of 1986. Nevertheless, a mild recession appears to be likely within the forecast period.

Table 1.

Georgia State University
College of Business Administration
Economic Forecasting Project
May 1985

U.S. Expenditures for 1984-IV and 1985-II with Forecasts for 1985-II through 1987-I

	1984	1985				1986				1987	Percent Change			Annual		
	IV	I	II	III	IV	I	II	III	IV	I	83-84	84-85	85-86	1984	1985	1986
1. <u>Personal Consumption Expenditures</u>	2396.5	2442.8	2484.4	2530.1	2575.2	2621.7	2668.1	2703.2	2748.9	2797.4	8.6	7.1	7.1	2341.8	2508.1	2685.5
2. Autos and Parts	150.7	155.1	157.9	161.0	160.4	161.0	161.9	157.7	157.0	155.8	15.8	5.9	0.5	149.8	158.6	159.4
3. Other Durable Goods	175.6	178.0	181.0	182.7	185.9	188.5	190.7	192.2	192.6	193.8	12.3	7.7	5.0	169.0	181.9	191.0
4. Nondurable Goods	866.5	877.9	890.0	902.4	916.9	930.9	945.2	957.8	973.0	989.9	6.9	4.7	6.1	856.9	896.8	951.7
5. Services	1203.8	1231.8	1255.5	1284.0	1312.0	1341.3	1370.3	1395.5	1426.3	1457.9	8.5	9.0	8.9	1166.2	1270.8	1383.3
6. <u>Gross Private Domestic Investment</u>	637.8	657.4	687.3	707.1	710.7	704.5	719.1	737.6	706.9	696.5	35.2	8.3	3.8	637.9	690.6	717.0
7. Residential Struct.	153.5	155.0	164.0	171.4	173.0	166.6	160.5	157.6	157.1	161.6	16.4	7.8	-3.3	153.9	165.9	160.5
8. Other Structures	157.9	164.5	170.4	176.5	182.5	187.0	190.7	193.8	196.3	197.5	15.9	15.4	10.6	150.4	173.5	192.0
9. Producers' Durables	289.7	291.4	303.7	312.7	319.3	324.7	329.1	333.3	336.9	340.1	23.3	11.4	7.9	275.3	306.8	331.0
10. Change in Inventories	36.6	46.6	49.2	46.5	35.9	26.2	38.8	52.9	16.6	-2.7	----	----	----	58.2	44.6	33.6
11. <u>Net Export of Goods and Services</u>	-56.6	-73.0	-79.7	-85.7	-82.4	-82.5	-75.6	-72.4	-66.8	-64.0	----	----	----	-64.2	-80.2	-74.3
12. Exports	367.2	361.4	373.5	378.0	388.5	396.1	408.5	417.1	428.7	437.4	8.4	3.0	9.9	364.3	375.4	412.6
13. Imports	423.2	434.4	453.2	463.7	470.9	478.6	484.1	489.5	495.5	501.4	22.1	6.3	6.9	428.5	455.6	486.9
14. <u>Government Purchases of Goods and Services</u>	780.5	792.6	809.4	825.1	840.5	858.7	873.5	889.2	903.4	922.5	9.0	9.3	7.9	747.4	816.9	881.2
15. Federal	315.7	320.2	326.6	344.0	340.0	348.1	353.3	359.9	364.7	373.2	9.5	11.8	8.0	295.4	330.2	356.5
16. National Defense	231.6	234.5	240.6	247.8	253.0	259.2	264.7	270.4	275.2	282.1	10.5	10.1	9.6	221.5	244.0	267.4
17. Other	84.1	85.7	86.0	86.2	87.0	88.9	88.6	89.5	89.5	91.1	6.6	16.7	3.4	73.9	86.2	89.1
18. State and Local	464.8	472.5	482.8	491.1	500.5	510.6	520.2	529.3	538.7	549.3	8.7	7.7	7.8	452.0	486.7	524.7
19. <u>Gross National Product</u>	3758.7	3819.9	3901.4	3976.6	4044.0	4102.4	4185.1	4257.6	4292.4	4352.4	10.8	7.4	7.0	3662.8	3935.5	4209.4
20. Amount of Change	64.1	61.2	81.5	75.2	67.4	58.4	82.7	72.5	34.8	60.0	----	----	----	81.8	71.3	62.1
21. % Change*	7.1	6.7	8.8	7.9	7.0	5.9	8.3	7.1	3.3	5.7	----	----	----	9.6	7.6	6.2
22. % Real Change*	4.3	1.3	4.5	3.9	2.4	1.5	4.1	2.2	-1.6	0.0	----	----	----	5.8	3.0	1.6
23. % Price Change*	2.8	5.3	4.2	3.9	4.4	4.3	4.1	4.8	5.0	5.7	----	----	----	3.6	4.5	4.6
24. Implicit Price Deflator	226.10	229.01	231.36	233.59	236.13	238.65	241.05	243.90	246.92	250.35	3.7	4.1	4.3	223.41	232.52	242.63
25. Change in Final Sales	99.3	51.2	78.9	77.9	78.0	68.1	70.1	58.4	71.1	79.3	----	----	----	-----	-----	-----
26. GNP in 1972 Dollars	1662.4	1668.0	1686.3	1702.4	1712.6	1719.0	1736.2	1745.6	1738.4	1738.5	6.8	3.2	2.5	1639.3	1692.3	1734.8

Table 2.

Georgia State University
College of Business Administration
Economic Forecasting Project
May 1985

U.S. Real Expenditures for 1984-IV and 1985-I with Forecasts for 1985-II through 1987-I

	1984	1985				1986				1987	Percent Change			Annual		
	IV	I	II	III	IV	I	II	III	IV	I	83-84	84-85	85-86	1984	1985	1986
1. <u>Personal Consumption</u>	1075.4	1087.9	1097.0	1107.0	1114.6	1122.0	1129.6	1131.1	1135.9	1140.7	5.3	3.7	2.5	1062.4	1101.6	1129.7
2. <u>Durable Goods</u>	182.9	186.0	188.1	190.2	191.0	191.8	192.5	190.1	189.0	187.8	13.0	6.1	1.1	178.1	188.8	190.9
3. <u>Nondurable Goods</u>	395.0	399.1	402.0	405.0	407.4	409.6	412.3	413.8	415.9	418.1	4.6	2.5	2.4	393.6	403.4	412.9
4. <u>Services</u>	497.5	502.9	506.9	511.8	516.2	520.6	524.8	527.2	531.0	534.8	3.2	3.8	3.2	490.8	509.5	525.9
5. <u>Gross Private Domestic Invest.</u>	289.9	295.5	306.8	312.5	311.0	306.5	310.9	315.2	299.6	292.2	31.2	5.7	0.5	289.9	306.5	308.1
6. <u>Residential Structures</u>	59.2	59.1	62.1	64.1	63.9	60.9	58.1	56.5	55.6	56.4	12.1	3.5	-7.3	60.2	62.3	57.8
7. <u>Other Structures</u>	59.4	61.7	63.6	65.5	67.2	68.3	69.1	69.5	69.6	69.3	15.5	13.5	7.2	56.9	64.5	69.1
8. <u>Producers' Durables</u>	154.4	154.0	159.3	162.5	164.5	166.0	166.8	167.3	167.6	167.6	21.5	8.2	4.3	148.0	160.1	166.9
9. <u>Change in Inventories</u>	16.8	20.7	21.8	20.4	15.4	11.3	16.9	21.9	6.8	-1.1	----	----	---	24.8	19.6	14.2
10. <u>Net Export of Goods and Services</u>	-13.4	-26.1	-31.0	-32.9	-30.8	-29.8	-26.1	-24.3	-21.7	-20.2	----	----	---	-15.0	-30.2	-25.5
11. <u>Exports</u>	147.1	144.0	148.0	148.6	151.3	153.2	156.6	157.9	160.4	161.5	4.7	1.3	6.1	146.0	148.0	157.0
12. <u>Imports</u>	160.5	170.1	179.0	181.5	182.1	183.0	182.7	182.2	182.1	181.7	26.9	10.6	2.4	161.1	178.2	182.5
13. <u>Gov't Purchases of Goods & Services</u>	310.5	310.6	313.5	315.8	317.8	320.3	321.8	323.6	324.6	325.8	3.5	4.1	2.6	302.1	314.4	322.6
14. <u>Federal</u>	129.6	129.3	130.9	132.6	133.8	135.8	136.7	137.9	138.3	139.0	5.4	7.5	4.2	122.5	131.7	137.2
15. <u>State & Local</u>	180.9	181.3	182.6	183.2	184.0	184.5	185.1	185.7	186.3	186.8	2.2	1.8	1.4	179.6	182.8	185.4
16. <u>Gross National Product</u>	1662.4	1668.0	1686.3	1702.4	1712.6	1719.0	1736.2	1745.6	1738.4	1738.5	6.8	3.2	2.5	1639.3	1692.3	1734.8
17. <u>Final Demand</u>	1645.6	1647.3	1664.5	1682.0	1697.2	1707.7	1719.3	1723.7	1731.6	1739.6	5.0	3.6	2.9	1614.5	1672.8	1720.6
18. <u>Private Domestic Product</u>	1486.3	1492.0	1509.7	1525.4	1534.4	1540.0	1556.1	1564.5	1556.4	1555.6	7.9	3.7	2.6	1461.8	1515.4	1554.3

Table 3.

Georgia State University
College of Business Administration
Economic Forecasting Project
May 1985

Income Related U.S. GNP Components for 1984-IV and 1985-I with Forecasts for 1985-II through 1987-I

	1984	1985				1986				1987	Percent Change			Annual		
	IV	I	II	III	IV	I	II	III	IV	I	83-84	84-85	85-86	1984	1985	1986
1. <u>Compensation of Employees</u>	2226.2	2772.7	2313.1	2354.9	2393.8	2439.0	2474.7	2510.5	2547.6	2596.0	9.5	7.4	6.8	2172.7	2333.6	2493.0
2. <u>Wage and Salary</u>	1848.2	1882.8	1916.9	1951.5	1983.4	2016.8	2046.2	2075.3	2105.5	2141.3	8.8	7.2	6.6	1804.1	1933.7	2061.0
3. <u>Manufacturing</u>	442.4	447.8	451.6	457.9	463.8	470.0	476.1	480.7	486.8	492.6	9.8	4.9	5.1	433.9	455.3	478.4
4. <u>Other Commodity-Producing</u>	138.5	143.2	146.5	149.2	151.4	153.8	153.2	154.0	155.3	158.6	9.0	9.0	4.4	135.4	147.6	154.1
5. <u>Distributive Industries</u>	443.1	448.8	457.6	465.8	473.0	479.2	486.3	494.0	500.8	507.1	8.4	6.8	6.2	432.1	461.3	490.1
6. <u>Service Industries</u>	466.9	477.5	489.9	501.2	512.9	525.0	536.7	547.4	558.0	569.0	9.6	9.4	9.4	452.9	495.4	541.8
7. <u>Military</u>	47.0	48.7	49.1	50.2	50.3	50.6	50.7	50.8	51.1	52.8	7.2	6.0	2.5	46.8	49.6	50.8
8. <u>Civilian Gov't</u>	310.2	316.8	322.2	327.2	332.0	338.2	343.2	348.4	353.5	361.2	6.7	7.1	6.6	303.2	324.6	345.8
9. <u>Supplements</u>	380.0	389.9	396.2	403.4	410.4	422.2	428.5	435.2	442.1	454.7	13.1	8.4	8.0	369.0	400.0	432.0
10. <u>Proprietors' Income</u>	159.1	156.7	157.5	160.6	163.4	163.2	167.0	172.3	169.1	166.3	26.8	3.4	5.2	154.4	159.6	167.9
11. <u>Business and Professional</u>	129.7	134.4	138.9	141.7	142.2	141.7	143.7	145.8	144.0	142.9	17.0	10.4	3.2	126.2	139.3	143.8
12. <u>Farm</u>	29.4	22.4	18.6	18.9	21.2	21.5	23.3	26.5	25.1	23.4	104.0	-28.0	18.9	28.2	20.3	24.1
13. <u>Rental Income</u>	64.1	65.2	66.1	67.1	68.2	69.2	70.3	71.4	72.4	73.5	7.2	6.6	6.3	62.5	66.7	70.8
14. <u>Net Interest</u>	293.4	288.8	292.4	301.1	310.9	315.6	318.4	323.2	321.8	320.4	10.7	5.0	7.2	284.1	298.3	319.8
15. <u>Corp Profits Adj</u>	291.6	295.8	306.8	315.2	313.4	310.9	321.3	320.8	313.8	309.7	26.9	7.7	2.9	285.7	307.8	316.7
16. <u>National Income</u>	3036.3	3079.2	3135.9	3198.8	3249.7	3297.9	3351.7	3398.2	3424.7	3465.9	11.8	7.0	6.4	2959.9	3165.9	3368.1
17. <u>Indirect Business Tax</u>	312.5	318.0	324.2	330.3	337.7	344.2	351.0	357.4	364.6	372.2	8.4	7.7	8.2	304.0	327.6	354.3
18. <u>Capital Consumption Adjusted</u>	-22.9	-30.0	-36.2	-38.1	-40.8	-42.2	-43.3	-43.2	-41.9	-39.9	----	----	----	-14.1	-36.3	-42.7
19. <u>Capital Consumption Allowances</u>	437.2	452.1	467.3	480.9	491.7	502.8	514.3	526.9	538.8	549.3	13.6	13.3	10.1	417.3	473.0	520.7
20. <u>Business Transfers</u>	18.0	18.5	19.0	19.5	20.0	20.5	21.1	21.7	22.2	22.8	11.1	11.1	11.0	17.3	19.3	21.4
21. <u>Net Gov't Subsidies</u>	-12.6	-10.3	-9.5	-10.0	-9.2	-9.5	-9.7	-9.2	-8.8	-8.9	-8.7	-31.6	-4.6	-14.3	-9.8	-9.3
22. <u>Stat Discrepancy</u>	-9.9	-7.6	0.7	-4.8	-5.1	-11.3	0.0	5.8	-7.5	-9.0	----	----	----	-7.4	-4.2	-3.3
23. <u>Gross National Product</u>	3758.7	3819.9	3901.4	3976.6	4044.0	4102.4	4185.1	4257.6	4292.4	4352.4	10.8	7.4	7.0	3662.8	3935.5	4209.4

Table 4.

Georgia State University
College of Business Administration
Economic Forecasting Project
May 1985

Derivation of U.S. Personal Income for 1984-IV and 1985-I with Forecasts for 1985-II through 1987-I

	1984	1985				1986				1987	Percent Change			Annual		
	IV	I	II	III	IV	I	II	III	IV	I	83-84	84-85	85-86	1984	1985	1986
1. <u>National Income</u>	<u>3036.3</u>	<u>3079.2</u>	<u>3135.9</u>	<u>3198.8</u>	<u>3249.7</u>	<u>3297.9</u>	<u>3351.7</u>	<u>3398.2</u>	<u>3424.7</u>	<u>3465.9</u>	<u>11.8</u>	<u>7.0</u>	<u>6.4</u>	<u>2959.9</u>	<u>3165.9</u>	<u>3368.1</u>
2. Less: Corp. Profits Adj.	293.5	295.8	306.8	315.2	313.4	310.9	321.3	320.8	313.8	309.7	27.1	7.5	2.9	286.2	307.8	316.7
3. Social Insurance	312.7	330.1	334.8	340.4	345.8	360.2	364.2	369.4	374.1	389.5	12.2	10.4	8.6	306.0	337.8	367.8
4. Plus: Government Transfers	403.8	421.1	422.5	424.0	429.0	437.4	441.6	445.6	451.5	462.8	2.6	6.2	4.7	399.4	424.2	444.0
5. Old Age, Survivors, etc.	243.5	249.8	252.1	254.5	258.8	265.1	267.8	270.9	275.2	282.4	7.1	7.0	6.3	237.3	253.8	269.8
6. Unemployment Benefits	16.0	17.9	17.5	17.0	16.6	16.6	16.9	17.3	17.8	18.5	-39.0	8.3	-0.6	15.9	17.3	17.2
7. Veterans' Benefits	16.4	16.9	17.0	17.0	16.8	17.0	17.0	16.9	16.7	16.9	-0.5	2.4	-0.1	16.5	16.9	16.9
8. Employees' Retirement	59.2	67.1	66.3	66.5	67.1	69.6	70.6	71.3	72.1	75.0	4.5	7.4	6.2	62.2	66.8	70.9
9. A.F.D.C.	14.6	14.9	14.9	14.7	14.7	14.8	14.7	14.7	14.6	14.7	3.9	0.3	-0.7	14.8	14.8	14.7
10. Other	54.1	54.4	54.7	54.3	55.0	54.3	54.6	54.5	55.1	55.3	3.2	3.4	0.0	52.8	54.6	54.6
11. Business Transfers	18.0	18.5	19.0	19.5	20.0	20.5	21.1	21.7	22.2	22.8	11.1	11.1	11.0	17.3	19.3	21.4
12. Interest Transfers	162.7	167.4	170.6	175.5	180.7	187.4	193.2	198.1	201.7	205.2	25.0	16.0	12.4	149.6	173.6	195.1
13. Personal Dividends	80.2	81.4	82.7	84.1	85.6	86.9	88.3	89.3	90.2	91.2	10.6	7.4	6.3	77.7	83.5	88.7
14. <u>Equals: Personal Income</u>	<u>3096.2</u>	<u>3141.6</u>	<u>3189.1</u>	<u>3246.2</u>	<u>3305.8</u>	<u>3359.0</u>	<u>3410.3</u>	<u>3463.0</u>	<u>3502.4</u>	<u>3548.7</u>	<u>9.8</u>	<u>6.9</u>	<u>6.6</u>	<u>3012.2</u>	<u>3220.7</u>	<u>3433.7</u>
15. Less: Personal Tax Payments	451.7	489.0	449.4	476.7	487.5	492.3	502.0	511.5	519.9	523.1	7.7	9.3	6.5	435.3	475.7	506.4
16. <u>Equals: Disposable Personal Income</u>	<u>2644.5</u>	<u>2652.6</u>	<u>2739.7</u>	<u>2769.5</u>	<u>2818.3</u>	<u>2866.7</u>	<u>2908.3</u>	<u>2951.5</u>	<u>2982.5</u>	<u>3025.6</u>	<u>10.1</u>	<u>6.5</u>	<u>6.6</u>	<u>2576.9</u>	<u>2745.0</u>	<u>2927.3</u>
17. Less: Consumption	2396.5	2531.6	2484.4	2530.1	2575.2	2621.7	2668.1	2703.2	2748.9	2797.4	8.6	8.1	6.1	2341.8	2530.3	2685.5
18. Less: Other Outlays	85.1	88.7	91.8	95.2	98.7	101.8	104.7	107.7	110.4	112.4	19.4	18.6	13.4	79.0	93.6	106.2
19. <u>Equals: Personal Savings</u>	<u>163.0</u>	<u>121.0</u>	<u>163.5</u>	<u>144.2</u>	<u>144.4</u>	<u>143.2</u>	<u>135.5</u>	<u>140.5</u>	<u>123.2</u>	<u>115.8</u>	<u>32.2</u>	<u>-8.2</u>	<u>-5.3</u>	<u>156.1</u>	<u>143.3</u>	<u>135.6</u>
20. Savings Rate (%)	6.2	4.6	6.0	5.2	5.1	5.0	4.7	4.8	4.1	3.8	21.5	-14.0	-11.0	6.1	5.2	4.7

Table 5.

Georgia State University
College of Business Administration
Economic Forecasting Project
May 1985

U.S. Federal Government Activity for 1984-IV and 1985-I with Forecasts for 1985-II through 1987-I

	1984	1985				1986				1987	Percent Change			Annual		
	IV	I	II	III	IV	I	II	III	IV	I	83-84	84-85	85-86	1984	1985	1986
1. <u>Government Receipts</u>	<u>721.9</u>	<u>772.8</u>	<u>738.0</u>	<u>768.1</u>	<u>781.9</u>	<u>797.9</u>	<u>812.6</u>	<u>821.7</u>	<u>833.1</u>	<u>850.7</u>	<u>9.9</u>	<u>8.6</u>	<u>6.7</u>	<u>704.7</u>	<u>765.2</u>	<u>816.3</u>
2. <u>Personal Tax & Non-Tax</u>	<u>327.9</u>	<u>362.1</u>	<u>320.5</u>	<u>344.7</u>	<u>352.7</u>	<u>354.6</u>	<u>361.9</u>	<u>368.8</u>	<u>375.4</u>	<u>376.2</u>	<u>6.7</u>	<u>9.5</u>	<u>5.8</u>	<u>315.0</u>	<u>345.0</u>	<u>365.2</u>
3. <u>Corporate Profits Tax</u>	<u>69.1</u>	<u>68.9</u>	<u>71.4</u>	<u>72.3</u>	<u>72.2</u>	<u>72.3</u>	<u>75.6</u>	<u>72.4</u>	<u>72.2</u>	<u>73.5</u>	<u>18.3</u>	<u>0.6</u>	<u>2.7</u>	<u>70.8</u>	<u>71.2</u>	<u>73.1</u>
4. <u>Indirect Business Tax</u>	<u>55.9</u>	<u>56.4</u>	<u>56.9</u>	<u>57.3</u>	<u>58.9</u>	<u>59.5</u>	<u>60.3</u>	<u>61.8</u>	<u>62.7</u>	<u>63.9</u>	<u>6.0</u>	<u>3.4</u>	<u>6.4</u>	<u>55.5</u>	<u>57.4</u>	<u>61.1</u>
5. <u>Contributions for Social Security</u>	<u>269.0</u>	<u>285.4</u>	<u>289.2</u>	<u>293.8</u>	<u>298.1</u>	<u>311.5</u>	<u>314.8</u>	<u>318.7</u>	<u>322.8</u>	<u>337.1</u>	<u>12.7</u>	<u>10.7</u>	<u>8.7</u>	<u>263.5</u>	<u>291.6</u>	<u>317.0</u>
6. <u>Government Expenditures</u>	<u>919.7</u>	<u>935.0</u>	<u>943.4</u>	<u>953.1</u>	<u>967.4</u>	<u>980.3</u>	<u>992.6</u>	<u>1003.8</u>	<u>1015.7</u>	<u>1034.1</u>	<u>7.4</u>	<u>7.9</u>	<u>5.1</u>	<u>880.5</u>	<u>949.7</u>	<u>998.1</u>
7. <u>Purchases of Goods and Services</u>	<u>315.7</u>	<u>320.2</u>	<u>326.6</u>	<u>334.0</u>	<u>340.0</u>	<u>348.1</u>	<u>353.3</u>	<u>359.9</u>	<u>364.7</u>	<u>373.2</u>	<u>9.5</u>	<u>11.8</u>	<u>8.0</u>	<u>295.4</u>	<u>330.2</u>	<u>356.5</u>
8. <u>Defense</u>	<u>231.6</u>	<u>234.5</u>	<u>240.6</u>	<u>247.8</u>	<u>253.0</u>	<u>259.2</u>	<u>264.7</u>	<u>270.4</u>	<u>275.2</u>	<u>282.1</u>	<u>10.5</u>	<u>10.1</u>	<u>9.6</u>	<u>221.5</u>	<u>244.0</u>	<u>267.4</u>
9. <u>Durables</u>	<u>73.7</u>	<u>72.3</u>	<u>75.9</u>	<u>79.6</u>	<u>82.3</u>	<u>86.1</u>	<u>89.5</u>	<u>93.2</u>	<u>95.8</u>	<u>98.1</u>	<u>17.3</u>	<u>11.9</u>	<u>17.6</u>	<u>69.3</u>	<u>77.5</u>	<u>91.2</u>
10. <u>Nondurables</u>	<u>11.3</u>	<u>11.9</u>	<u>11.9</u>	<u>12.2</u>	<u>12.7</u>	<u>13.0</u>	<u>13.2</u>	<u>13.4</u>	<u>13.7</u>	<u>14.0</u>	<u>-6.0</u>	<u>4.5</u>	<u>9.4</u>	<u>11.7</u>	<u>12.2</u>	<u>13.3</u>
11. <u>Military Compensation</u>	<u>47.0</u>	<u>48.7</u>	<u>49.1</u>	<u>50.2</u>	<u>50.3</u>	<u>50.6</u>	<u>50.7</u>	<u>50.8</u>	<u>51.1</u>	<u>52.8</u>	<u>7.2</u>	<u>6.0</u>	<u>2.5</u>	<u>46.8</u>	<u>49.6</u>	<u>50.8</u>
12. <u>Civilian Compensation</u>	<u>31.5</u>	<u>32.4</u>	<u>32.5</u>	<u>32.6</u>	<u>32.6</u>	<u>32.7</u>	<u>32.7</u>	<u>32.8</u>	<u>32.9</u>	<u>33.7</u>	<u>5.9</u>	<u>4.2</u>	<u>0.8</u>	<u>31.2</u>	<u>32.5</u>	<u>32.8</u>
13. <u>Other Services</u>	<u>63.0</u>	<u>64.3</u>	<u>66.0</u>	<u>67.8</u>	<u>69.7</u>	<u>71.5</u>	<u>73.1</u>	<u>74.6</u>	<u>76.1</u>	<u>77.8</u>	<u>12.5</u>	<u>15.9</u>	<u>10.3</u>	<u>57.8</u>	<u>67.0</u>	<u>73.8</u>
14. <u>Structures</u>	<u>5.2</u>	<u>4.9</u>	<u>5.2</u>	<u>5.4</u>	<u>5.4</u>	<u>5.3</u>	<u>5.5</u>	<u>5.6</u>	<u>5.6</u>	<u>5.7</u>	<u>7.1</u>	<u>7.2</u>	<u>5.3</u>	<u>4.9</u>	<u>5.2</u>	<u>5.5</u>
15. <u>Nondefense</u>	<u>84.1</u>	<u>85.7</u>	<u>86.0</u>	<u>86.2</u>	<u>87.0</u>	<u>88.9</u>	<u>88.6</u>	<u>89.5</u>	<u>89.5</u>	<u>91.1</u>	<u>6.7</u>	<u>16.7</u>	<u>3.4</u>	<u>73.9</u>	<u>86.2</u>	<u>89.1</u>
16. <u>Durables</u>	<u>4.0</u>	<u>4.1</u>	<u>4.0</u>	<u>4.1</u>	<u>3.9</u>	<u>4.0</u>	<u>4.1</u>	<u>4.1</u>	<u>4.2</u>	<u>4.4</u>	<u>5.0</u>	<u>8.8</u>	<u>1.9</u>	<u>3.7</u>	<u>4.0</u>	<u>4.1</u>
16. <u>Nondurables</u>	<u>8.5</u>	<u>7.6</u>	<u>9.0</u>	<u>8.5</u>	<u>9.0</u>	<u>10.3</u>	<u>9.9</u>	<u>10.0</u>	<u>9.4</u>	<u>9.4</u>	---	---	---	<u>0.6</u>	<u>8.5</u>	<u>9.9</u>
17. <u>CCC Inventory Change</u>	<u>2.0</u>	<u>2.7</u>	<u>3.6</u>	<u>3.0</u>	<u>3.3</u>	<u>4.0</u>	<u>3.7</u>	<u>3.5</u>	<u>3.0</u>	<u>2.7</u>	---	---	---	<u>-5.0</u>	<u>3.2</u>	<u>3.6</u>
18. <u>Other Nondurables</u>	<u>6.5</u>	<u>4.9</u>	<u>5.4</u>	<u>5.5</u>	<u>5.7</u>	<u>6.3</u>	<u>6.2</u>	<u>6.5</u>	<u>6.4</u>	<u>6.7</u>	<u>-1.8</u>	<u>-3.2</u>	<u>18.1</u>	<u>5.6</u>	<u>5.4</u>	<u>6.4</u>
19. <u>Compensation</u>	<u>36.9</u>	<u>38.0</u>	<u>38.0</u>	<u>38.3</u>	<u>38.5</u>	<u>38.6</u>	<u>38.5</u>	<u>38.8</u>	<u>39.0</u>	<u>40.0</u>	<u>5.6</u>	<u>4.4</u>	<u>1.4</u>	<u>36.6</u>	<u>38.2</u>	<u>38.7</u>
20. <u>Other Services</u>	<u>27.6</u>	<u>28.8</u>	<u>27.6</u>	<u>28.0</u>	<u>28.3</u>	<u>28.8</u>	<u>29.0</u>	<u>29.4</u>	<u>29.8</u>	<u>30.3</u>	<u>6.3</u>	<u>7.6</u>	<u>3.8</u>	<u>26.2</u>	<u>28.2</u>	<u>29.3</u>
21. <u>Structures</u>	<u>7.0</u>	<u>7.1</u>	<u>7.4</u>	<u>7.3</u>	<u>7.3</u>	<u>7.2</u>	<u>7.1</u>	<u>7.2</u>	<u>7.1</u>	<u>7.0</u>	<u>1.9</u>	<u>7.4</u>	<u>-1.7</u>	<u>6.8</u>	<u>7.3</u>	<u>7.2</u>
22. <u>Transfer Payments</u>	<u>360.4</u>	<u>372.2</u>	<u>372.3</u>	<u>373.3</u>	<u>379.3</u>	<u>384.7</u>	<u>388.3</u>	<u>391.7</u>	<u>397.7</u>	<u>405.7</u>	<u>2.1</u>	<u>6.0</u>	<u>4.4</u>	<u>353.0</u>	<u>374.3</u>	<u>390.6</u>
23. <u>Grants-in-Aid to State and Local Governments</u>	<u>97.0</u>	<u>97.5</u>	<u>97.8</u>	<u>97.3</u>	<u>97.5</u>	<u>92.6</u>	<u>92.7</u>	<u>91.8</u>	<u>92.1</u>	<u>92.8</u>	<u>8.1</u>	<u>4.6</u>	<u>-5.4</u>	<u>93.2</u>	<u>97.5</u>	<u>92.3</u>
24. <u>Net Interest Paid</u>	<u>126.4</u>	<u>126.8</u>	<u>127.8</u>	<u>130.2</u>	<u>133.0</u>	<u>137.0</u>	<u>140.1</u>	<u>142.6</u>	<u>143.7</u>	<u>144.8</u>	<u>23.8</u>	<u>10.9</u>	<u>8.8</u>	<u>116.7</u>	<u>129.5</u>	<u>140.9</u>
25. <u>Deficit of Government Enterprises</u>	<u>20.7</u>	<u>18.5</u>	<u>17.8</u>	<u>18.3</u>	<u>17.6</u>	<u>17.9</u>	<u>18.2</u>	<u>17.8</u>	<u>17.5</u>	<u>17.6</u>	<u>-4.7</u>	<u>-19.1</u>	<u>-1.1</u>	<u>22.3</u>	<u>18.1</u>	<u>17.9</u>
26. <u>Federal Surplus</u>	<u>-197.3</u>	<u>-162.2</u>	<u>-205.4</u>	<u>-185.0</u>	<u>-185.5</u>	<u>-182.4</u>	<u>-180.0</u>	<u>-182.1</u>	<u>-182.6</u>	<u>-183.4</u>	---	---	---	<u>-175.7</u>	<u>-184.5</u>	<u>-181.8</u>
27. <u>Federal Debt Held by Individuals</u>	<u>1212.5</u>	<u>1278.6</u>	<u>1305.3</u>	<u>1353.7</u>	<u>1396.6</u>	<u>1457.3</u>	<u>1481.8</u>	<u>1530.3</u>	<u>1568.2</u>	<u>1628.3</u>	<u>17.6</u>	<u>17.4</u>	<u>13.2</u>	<u>1135.5</u>	<u>1333.6</u>	<u>1509.4</u>
28. <u>Total Government Surplus</u>	<u>-148.1</u>	<u>-105.6</u>	<u>-149.7</u>	<u>-128.1</u>	<u>-129.0</u>	<u>-131.8</u>	<u>-129.6</u>	<u>-134.7</u>	<u>-136.8</u>	<u>-138.6</u>	---	---	---	<u>-122.8</u>	<u>-128.1</u>	<u>-133.2</u>

Table 6.

Georgia State University
College of Business Administration
Economic Forecasting Project
May 1985

Selected Economic Variables of the U.S. Economy for 1984-IV and 1985-I with Forecasts for 1985-II through 1987-I

	1984 IV	1985				1986				1987 I	Percent Change			Annual		
		I	II	III	IV	I	II	III	IV		83-84	84-85	85-86	1984	1985	1986
<u>Private Economy</u>																
1. Change in Private Hourly Wage Costs	3.3	5.5	3.8	4.1	4.7	6.2	4.6	4.8	5.1	6.5	---	---	---	3.6	4.1	5.0
2. Change in Output Per Worker Hour	1.3	-0.4	1.3	1.2	0.1	0.0	2.8	1.1	-3.1	-1.1	---	---	---	1.7	0.5	0.7
3. Change in Implicit Unit Labor Costs	1.1	6.6	2.6	3.2	4.5	6.3	1.8	3.7	8.4	7.6	---	---	---	1.9	3.7	4.3
4. Change in Private Price Deflator	2.5	4.7	4.1	3.7	4.4	4.0	4.1	4.8	5.1	5.3	---	---	---	3.4	3.8	4.2
<u>Prices</u>																
5. Consumer Price Index	315.4	317.4	321.1	323.6	327.5	331.5	336.0	339.6	344.4	349.6	4.3	3.6	4.8	311.1	322.4	337.9
6. Industrial Commod. (Producer Price Index)	323.4	322.8	325.3	325.7	327.6	330.2	333.9	335.6	339.1	343.8	2.2	0.9	2.9	322.6	325.3	334.7
<u>Corporate Economy</u>																
7. After Tax Profit	141.0	138.3	144.8	147.1	147.9	147.6	154.2	150.1	150.0	153.0	14.5	-1.0	4.1	145.9	144.5	150.5
8. Inventory Profits	-1.6	-0.6	-4.8	-2.1	-7.4	-11.4	-13.3	-6.3	-12.8	-20.4	---	---	---	-0.4	-3.7	-11.0
9. Genuine Profits	203.9	208.7	216.3	223.5	221.8	219.3	225.4	229.0	222.3	216.7	31.1	11.1	3.0	195.9	217.6	224.0
10. Mean Closing Dow Jones	1199.9	1253.3	1279.6	1248.3	1213.3	1226.2	1238.7	1186.3	1245.9	1267.1	-1.0	6.0	-2.0	1178.5	1248.6	1224.3
11. Mean Closing NY Composite	95.26	103.20	105.56	103.24	101.51	103.14	104.67	101.53	106.55	108.49	-0.2	11.8	0.6	92.46	103.38	103.97
<u>Financial</u>																
12. Monetary Base	216.1	219.9	224.0	227.4	231.1	234.5	238.8	242.1	245.7	249.3	8.4	6.8	6.5	211.3	225.6	240.3
13. Checkable Deposits	395.8	407.6	415.0	421.9	427.5	435.0	442.3	450.1	454.2	460.6	6.3	7.0	6.6	390.7	418.0	445.4
14. M1	553.7	568.0	577.9	587.4	595.5	605.7	615.7	625.8	632.7	642.0	6.9	6.8	6.5	545.0	582.2	620.0
15. Velocity of M1	6.619	6.682	6.621	6.699	6.715	6.696	6.718	6.727	6.700	6.693	2.3	2.1	0.5	6.542	6.679	6.710
16. M2	2345.4	2416.2	2458.5	2509.2	2559.7	2610.6	2664.4	2716.7	2758.6	2807.0	7.8	9.1	8.1	2277.6	2485.9	2687.6
17. Velocity of M2	1.584	1.577	1.570	1.568	1.562	1.554	1.552	1.548	1.537	1.531	1.9	-0.4	-1.4	1.575	1.569	1.548
18. Federal Funds	9.27	8.48	8.39	9.27	9.63	9.13	9.32	9.76	8.73	8.14	12.5	-12.6	3.3	10.23	8.94	9.24
19. Prime Rate	11.80	10.54	10.50	11.16	11.50	11.27	11.00	11.26	10.92	10.23	11.6	-9.3	1.7	12.04	10.92	11.11
20. 6 Month T-Bills	9.13	8.44	8.32	9.03	9.26	8.73	8.89	9.12	8.46	7.78	12.2	-10.6	0.4	9.80	8.76	8.80
21. Seasoned AAA Corp.	12.35	12.03	12.16	12.57	12.73	12.42	12.51	12.69	12.07	11.68	5.6	-2.7	0.4	12.71	12.37	12.42
22. FHA Mortgage Rates	13.11	13.03	12.96	13.39	13.71	13.38	13.45	13.71	13.02	12.64	2.5	-4.0	0.9	13.82	13.27	13.39
<u>Miscellaneous</u>																
23. Housing Starts	1586	1789	1954	1933	1828	1714	1606	1535	1538	1579	3.5	6.4	-14.8	1764	1876	1598
24. Single Family Starts	1035	1104	1191	1206	1151	1086	1043	1008	1052	1084	3.1	5.7	-9.9	1100	1163	1047
25. Unit Auto Sales	10.17	10.80	10.83	10.96	10.75	10.63	10.54	9.93	9.78	9.56	13.1	4.2	-5.7	10.40	10.84	10.22
26. Civilian Employment	105.951	106.732	107.526	108.149	108.820	109.414	109.930	110.348	110.783	111.187	6.1	2.7	2.1	105.003	107.807	110.119
27. Unemployment Rate	7.2	7.3	7.2	7.1	6.9	6.9	6.9	7.0	7.1	7.2	-21.6	-5.0	-2.2	7.5	7.1	7.0
28. Industrial Production	164.8	165.2	166.7	168.0	168.6	169.0	171.5	172.7	170.4	169.7	10.7	2.3	2.3	163.3	167.1	170.9
29. Asset-Consumption Ratio	3.174	3.214	3.217	3.178	3.150	3.151	3.142	3.113	3.147	3.155	0.2	1.0	-1.6	3.158	3.190	3.138

Table 7.

Georgia State University
College of Business Administration
Economic Forecasting Project
May 1985

U. S. Foreign Trade Accounts for 1983 and 1984 with Forecasts for 1985 and 1986

	1983	1984	1985	1986	Percent Change		
					83-84	84-85	85-86
<u>Exports of U.S. Merchandise</u>	<u>200486</u>	<u>217641</u>	<u>228306</u>	<u>246010</u>	<u>8.6</u>	<u>4.9</u>	<u>7.8</u>
Food & Live Animals	24166	24463	22307	23993	1.2	-8.8	7.6
Beverages & Tobacco	2813	2849	3005	2774	1.3	5.5	-7.7
Crude Materials	18596	20154	19417	20585	8.4	-3.7	6.0
Mineral Fuels	9500	9310	9735	10090	-2.0	4.6	3.6
Animal & Vegetable Oils	1459	1922	2253	2074	31.7	17.2	-8.0
Chemicals	19751	22309	24697	27113	12.9	10.6	9.9
Manufactured Goods	14852	15133	14692	15448	1.9	-2.9	5.1
Machinery, Trans. Equipment	82563	89904	99363	108945	8.9	10.5	9.6
Miscellaneous Manufacturing	15243	15668	15292	16430	2.8	-2.4	7.4
Commodities, n.e.c.	6975	10098	12585	12160	44.8	24.6	-3.4
<u>Imports of Merchandise</u>	<u>258048</u>	<u>325651</u>	<u>351371</u>	<u>371006</u>	<u>26.2</u>	<u>7.9</u>	<u>5.6</u>
Food & Live Animals	15412	17973	19113	19481	16.6	6.3	1.9
Beverages & Tobacco	3408	3653	2944	3066	7.2	-19.4	4.1
Crude Materials	9590	11117	11394	12378	15.9	2.5	8.6
Mineral Fuels	57952	60889	58077	60687	5.1	-4.6	4.5
Animal & Vegetable Oils	495	696	760	723	40.6	9.3	-5.0
Chemicals	10779	13686	14759	16185	27.0	7.8	9.7
Manufactured Goods	34833	46070	46881	49763	32.3	1.8	6.1
Machinery, Trans. Equipment	86131	119078	138349	145229	38.3	16.2	5.0
Miscellaneous Manufacturing	31706	42510	48276	51160	34.1	13.6	6.0
Commodities, n.e.c.	7742	9828	10908	12335	26.9	11.0	13.1
<u>Foreign Transactions</u>							
<u>Total Exports</u>	<u>336.2</u>	<u>364.3</u>	<u>375.4</u>	<u>412.6</u>	<u>8.4</u>	<u>3.0</u>	<u>9.9</u>
Merchandise Exports	198.6	219.2	229.0	246.8	10.4	4.5	7.8
Factor Income	84.1	91.7	90.5	106.3	9.1	-1.4	17.5
Other Services	53.5	53.3	55.9	59.6	-0.4	4.9	6.6
<u>Total Imports</u>	<u>344.4</u>	<u>430.8</u>	<u>455.6</u>	<u>486.9</u>	<u>25.1</u>	<u>5.8</u>	<u>6.9</u>
Merchandise Imports	259.0	325.5	348.9	369.8	25.7	7.2	6.0
Factor Income	35.8	48.1	48.4	56.2	34.4	0.6	16.2
Other Services	49.7	54.9	58.3	61.0	10.5	6.2	4.5
Transfer	8.0	9.6	10.1	10.3	20.3	4.9	1.5
Government Interest	17.7	19.6	21.4	23.2	10.7	9.1	8.4
<u>Net Foreign Investment</u>	<u>-33.9</u>	<u>-93.4</u>	<u>-111.7</u>	<u>-107.7</u>	<u>----</u>	<u>----</u>	<u>----</u>
<u>Trade Weighted Value of Dollar</u> (3/73=100)	<u>125.3</u>	<u>138.3</u>	<u>138.2</u>	<u>131.8</u>	<u>10.4</u>	<u>-0.1</u>	<u>-4.6</u>

Table 8.

Georgia State University
College of Business Administration
Economic Forecasting Project
May 1985

Implicit Price Deflators for Personal Consumption Expenditures for 1984-IV and 1985-I with Forecasts for 1985-II through 1987-I

	1984	1985				1986				1987	Percent Change			Annual		
	IV	I	II	III	IV	I	II	III	IV	I	83-84	84-85	85-86	1984	1985	1986
<u>Durable Goods</u>	<u>178.4</u>	<u>179.1</u>	<u>180.2</u>	<u>180.7</u>	<u>181.3</u>	<u>182.2</u>	<u>183.2</u>	<u>184.1</u>	<u>185.0</u>	<u>186.2</u>	<u>0.8</u>	<u>0.7</u>	<u>1.8</u>	<u>179.0</u>	<u>180.3</u>	<u>183.6</u>
% Change	-1.8	1.6	2.5	1.1	1.3	2.0	2.2	2.0	2.0	2.6						
Automobiles	198.5	200.4	202.4	203.0	203.3	204.3	205.4	206.7	207.7	208.9	1.9	2.3	1.9	197.7	202.3	206.0
% Change	0.0	3.9	4.1	1.2	0.6	2.0	2.2	2.6	1.9	2.3						
Furniture	155.0	154.4	154.2	154.3	154.9	155.5	155.8	156.4	156.8	157.6	-1.0	-1.3	1.1	156.5	154.5	156.1
% Change	-2.8	-1.5	-0.5	0.3	1.6	1.6	0.8	1.5	1.0	2.1						
Other Durables	189.0	190.2	192.2	193.5	195.5	197.8	200.3	203.0	205.7	208.5	1.7	2.1	4.6	188.9	192.9	201.7
% Change	-1.5	2.6	4.3	2.7	4.2	4.8	5.2	5.5	5.4	5.6						
<u>Nondurables</u>	<u>219.4</u>	<u>220.0</u>	<u>221.4</u>	<u>222.8</u>	<u>225.1</u>	<u>227.3</u>	<u>229.3</u>	<u>231.5</u>	<u>234.0</u>	<u>236.8</u>	<u>2.2</u>	<u>2.1</u>	<u>3.7</u>	<u>217.8</u>	<u>222.3</u>	<u>230.5</u>
% Change	3.0	1.1	2.6	2.6	4.2	4.0	3.6	3.9	4.4	4.9						
Food	231.0	232.3	233.3	234.8	237.6	240.6	242.8	245.1	247.8	250.6	4.0	2.2	4.1	229.4	234.5	244.1
% Change	3.0	2.3	1.7	2.6	4.9	5.1	3.7	3.8	4.5	4.6						
Apparel	147.8	148.4	149.7	150.4	151.4	152.6	153.8	154.8	156.2	157.3	1.2	3.3	2.9	145.3	150.0	154.4
% Change	7.4	1.6	3.6	1.9	2.7	3.2	3.2	2.6	3.7	2.8						
Gasoline & Oil	340.0	330.2	333.6	335.0	337.7	339.5	340.8	344.7	349.1	355.2	-1.6	-1.6	2.8	339.4	334.1	343.5
% Change	6.6	-11.0	4.2	1.7	3.3	2.1	1.5	4.7	5.2	7.2						
Fuel Oil	535.0	519.5	521.1	520.3	522.8	528.7	532.2	539.0	551.1	561.2	2.2	-4.1	3.2	543.2	520.9	537.8
% Change	-2.3	-11.1	1.2	-0.6	1.9	4.6	2.7	5.2	9.3	7.5						
Other Nondurables	223.1	225.9	227.5	229.9	232.5	234.8	237.6	240.7	244.0	247.4	3.2	3.9	4.5	220.4	229.0	239.3
% Change	1.6	5.1	2.9	4.3	4.6	4.0	4.9	5.3	5.6	5.7						
<u>Services</u>	<u>242.0</u>	<u>244.9</u>	<u>247.7</u>	<u>250.9</u>	<u>254.2</u>	<u>257.6</u>	<u>261.1</u>	<u>264.7</u>	<u>268.6</u>	<u>272.6</u>	<u>5.1</u>	<u>5.0</u>	<u>5.4</u>	<u>237.6</u>	<u>249.4</u>	<u>263.0</u>
% Change	3.9	4.9	4.7	5.3	5.4	5.5	5.5	5.6	6.0	6.1						
Housing	229.3	232.1	234.7	237.9	241.1	244.3	247.6	250.9	254.5	258.2	5.6	5.6	5.4	223.9	236.5	249.3
% Change	6.2	5.0	4.6	5.6	5.5	5.4	5.5	5.4	5.9	5.9						
Electricity & Gas	344.0	345.7	348.5	354.4	358.1	362.3	365.9	372.4	377.1	382.1	4.6	3.1	5.0	341.2	351.7	369.4
% Change	-7.6	2.0	3.3	6.9	4.2	4.8	4.0	7.3	5.1	5.4						
Household Operations	200.3	202.5	205.1	206.9	209.1	211.4	213.3	215.5	217.8	220.2	6.5	4.5	4.2	197.1	205.9	214.5
% Change	4.3	4.5	5.2	3.6	4.3	4.5	3.6	4.2	4.3	4.5						
Transportation	244.9	248.6	251.2	254.2	257.6	261.1	265.0	269.2	273.9	278.5	4.6	5.7	5.7	239.3	252.9	267.3
% Change	7.3	6.2	4.2	4.9	5.5	5.5	6.1	6.5	7.2	6.9						
Other Services	248.0	251.0	254.1	257.3	260.8	264.6	268.5	272.4	276.6	280.9	4.8	4.9	5.8	243.9	255.8	270.5
% Change	4.0	4.9	5.0	5.1	5.6	6.0	6.0	5.9	6.3	6.4						
<u>Personal Consump Exp</u>	<u>222.8</u>	<u>224.5</u>	<u>226.5</u>	<u>228.6</u>	<u>231.0</u>	<u>233.7</u>	<u>236.2</u>	<u>239.0</u>	<u>242.0</u>	<u>245.2</u>	<u>3.2</u>	<u>3.3</u>	<u>4.4</u>	<u>220.4</u>	<u>227.7</u>	<u>237.7</u>
% Change	2.4	3.1	3.6	3.8	4.3	4.8	4.3	4.8	5.1	5.4						
<u>Consumer Price Index</u>	<u>315.2</u>	<u>317.4</u>	<u>321.1</u>	<u>323.6</u>	<u>327.5</u>	<u>331.5</u>	<u>336.0</u>	<u>339.6</u>	<u>344.4</u>	<u>349.6</u>	<u>4.2</u>	<u>3.7</u>	<u>4.8</u>	<u>311.0</u>	<u>322.4</u>	<u>337.9</u>
% Change	3.8	2.8	4.7	3.2	4.9	5.0	5.5	4.4	5.8	6.2						

Table 9.

Georgia State University
College of Business Administration
Economic Forecasting Project
May 1985

Implicit Price Deflators with Annual Percentage Changes for 1984-IV and 1985-I with Forecasts for 1985-II through 1987-I

	1984	1985				1986				1987	Percent Change			Annual		
	IV	I	II	III	IV	I	II	III	IV	I	83-84	84-85	85-86	1984	1985	1986
<u>GNP Deflator</u>	<u>226.10</u>	<u>229.01</u>	<u>231.36</u>	<u>233.59</u>	<u>236.15</u>	<u>238.65</u>	<u>241.05</u>	<u>243.90</u>	<u>246.92</u>	<u>250.35</u>	<u>3.8</u>	<u>4.1</u>	<u>4.3</u>	<u>223.41</u>	<u>232.53</u>	<u>242.63</u>
% Change	2.8	5.2	4.2	3.9	4.5	4.3	4.1	4.8	5.0	5.7						
<u>Personal Cons. Exp.</u>	<u>222.8</u>	<u>224.5</u>	<u>226.5</u>	<u>228.6</u>	<u>231.0</u>	<u>233.7</u>	<u>236.2</u>	<u>239.0</u>	<u>242.0</u>	<u>245.2</u>	<u>3.2</u>	<u>3.3</u>	<u>4.4</u>	<u>220.4</u>	<u>227.7</u>	<u>237.7</u>
% Change	2.4	3.1	3.6	3.8	4.3	4.8	4.3	4.8	5.1	5.4						
<u>Private Domestic Investment</u>	<u>220.0</u>	<u>222.5</u>	<u>224.0</u>	<u>226.3</u>	<u>228.5</u>	<u>229.9</u>	<u>231.3</u>	<u>234.0</u>	<u>235.9</u>	<u>238.4</u>	<u>3.2</u>	<u>2.4</u>	<u>3.3</u>	<u>220.0</u>	<u>225.3</u>	<u>232.8</u>
% Change	-1.4	4.6	2.8	4.1	4.0	2.4	2.5	4.8	3.3	4.3						
Structures	265.9	266.7	267.8	269.5	271.6	273.8	276.0	278.9	282.1	285.0	0.3	1.7	3.3	264.5	268.9	277.7
% Change	1.1	1.2	1.7	2.6	3.2	3.3	3.3	4.3	4.7	4.2						
Producers' Durables	187.6	189.3	190.6	192.4	194.1	195.6	197.3	199.2	201.0	202.9	1.5	3.0	3.5	186.0	191.6	198.3
% Change	2.4	3.7	2.8	3.8	3.6	3.1	3.5	3.9	3.7	3.8						
Residential Structures	259.1	262.1	264.0	267.4	270.7	273.6	276.3	279.0	282.6	286.5	3.8	4.0	4.4	255.8	266.1	277.9
% Change	0.8	4.7	2.9	5.3	5.0	4.4	4.0	4.0	5.3	5.6						
<u>Exports</u>	<u>249.6</u>	<u>251.0</u>	<u>252.4</u>	<u>254.3</u>	<u>256.7</u>	<u>258.5</u>	<u>260.8</u>	<u>264.1</u>	<u>267.2</u>	<u>270.8</u>	<u>3.5</u>	<u>1.7</u>	<u>3.6</u>	<u>249.5</u>	<u>253.6</u>	<u>262.7</u>
% Change	-0.8	2.3	2.2	3.0	3.8	2.8	3.6	5.2	4.8	5.5						
<u>Imports</u>	<u>263.7</u>	<u>255.4</u>	<u>253.2</u>	<u>255.5</u>	<u>258.6</u>	<u>261.6</u>	<u>265.0</u>	<u>268.6</u>	<u>272.1</u>	<u>275.9</u>	<u>-1.9</u>	<u>-3.9</u>	<u>4.4</u>	<u>266.1</u>	<u>255.7</u>	<u>266.8</u>
% Change	0.6	-12.0	-3.4	3.7	4.9	4.7	5.3	5.5	5.3	5.7						
<u>Federal</u>	<u>243.7</u>	<u>247.6</u>	<u>249.5</u>	<u>251.9</u>	<u>254.0</u>	<u>256.2</u>	<u>258.5</u>	<u>260.9</u>	<u>263.7</u>	<u>268.4</u>	<u>3.8</u>	<u>4.0</u>	<u>3.6</u>	<u>241.1</u>	<u>250.8</u>	<u>259.8</u>
% Change	3.7	6.6	3.1	3.9	3.4	3.5	3.6	3.8	4.4	7.3						
Federal Purchases	258.2	260.2	262.3	264.8	267.7	270.7	274.3	277.7	281.4	285.1	2.6	3.0	4.7	256.2	263.7	276.0
% Change	2.6	3.0	3.3	3.9	4.5	4.6	5.4	5.1	5.4	5.4						
Federal Value Added	221.8	228.8	230.0	232.0	232.6	233.1	233.1	233.6	237.4	241.0	5.1	4.6	1.5	220.6	230.9	234.3
% Change	2.0	13.2	2.1	3.5	1.0	0.9	0.0	0.9	6.7	6.2						
<u>State & Local</u>	<u>256.9</u>	<u>260.6</u>	<u>264.4</u>	<u>268.1</u>	<u>272.0</u>	<u>276.8</u>	<u>281.0</u>	<u>285.0</u>	<u>289.2</u>	<u>294.0</u>	<u>6.3</u>	<u>5.8</u>	<u>6.3</u>	<u>251.7</u>	<u>266.3</u>	<u>283.0</u>
% Change	5.5	5.9	6.0	5.7	5.9	7.2	6.2	5.8	6.0	6.8						
State & Local Purchases	264.1	265.6	268.2	271.0	274.3	277.6	281.2	284.7	288.7	292.6	4.5	3.7	4.9	260.2	269.8	283.1
% Change	3.9	2.4	3.9	4.2	5.0	4.9	5.3	5.1	5.7	5.5						
State & Local Value Added	252.0	256.7	261.7	266.1	270.4	276.2	280.8	285.2	289.5	295.1	7.6	7.3	7.3	245.8	263.7	282.9
% Change	7.0	7.7	8.0	6.9	6.6	8.9	6.8	6.4	6.2	8.0						

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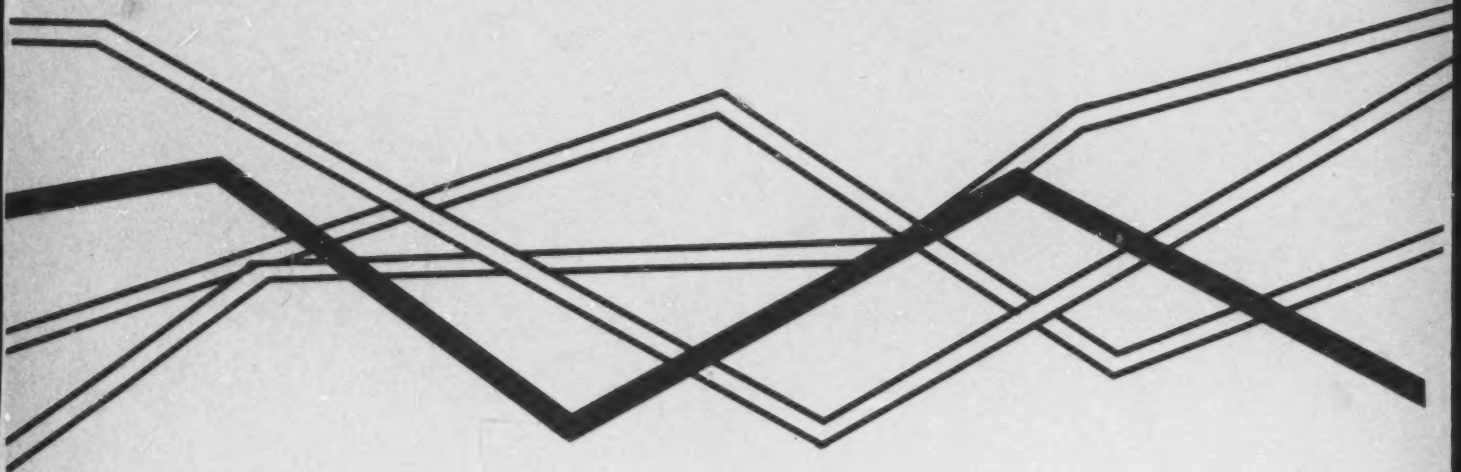
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THE NATION 1985III-1987II



Economic Forecasting Project

Georgia State University
College of Business Administration

August, 1985

RECESSION RECEDES BUT CONSUMPTION TO SLOW IN 1986

Dr. Donald Ratajczak
Director
Economic Forecasting Project
Georgia State University

COMMENTARY

Recent Activity

Inventory liquidations reached their maximum in May, when business inventories fell 0.4%. Preliminary June data show a 0.4% rebound in manufacturing inventories. Assuming modest gains in retail and wholesale inventories as well, a modest rebound in inventory investment should develop during the third quarter.

Weakness in the dollar's value has had little impact upon the trade deficit at the present time. Excess grain producing capacity around the world and the dollar's previous strength led to a virtual collapse in agricultural exports in the spring. Manufacturing exports also have slowed. At the same time, reduced restraints on Japanese automobiles has caused a surge in automotive imports. In addition, inventories of petroleum products reached unusually low levels as domestic refiners were awaiting falling OPEC prices. In May and June those inventories were replenished. Trade balances are expected to erode further in the third quarter, but the dollar's weakness should begin to increase the dollar value of portfolio earnings from abroad by the end of the year. Early in 1986, trade flows should begin to improve, although increased dollars to fulfill import commitments may prevent the merchandise trade deficit from narrowing until later in that year.

Productivity increased slightly for the private non-farm economy during the second quarter after a dramatic slump in the winter months. This improvement, however, is sufficiently below recent trends to suggest that some involuntary underutilization of labor still occurred. Either the economy will rebound in the second half of 1985, permitting gains in productivity, or employment growth will slow further. Because inventories are rebounding and trade flows may begin improving, increased second half activity probably will lead to more satisfactory productivity gains.

The consumer continued to spend aggressively during the spring, with consumer spending after inflation growing the same 5.2% that was recorded in the previous quarter. However, the savings rate fell below 4% in June, even though heightened tax refunds caused payments to fall slightly below normal in that month. If the consumer merely prevents savings from falling further, consumer support for the economy must slow significantly in 1986. If the consumer decides to increase savings to offset a predicted slowing in the appreciation of asset values that is projected for the next year, a consumer slump could still create a recession. However, the consumer already is expected to moderate purchases, especially for durable goods. Unit auto sales are expected to fall more than 5% in 1986 to less than 10.2 million units. A further decline to the vicinity of 9.5 million units is anticipated in the early months of 1987. Along with weakness in furniture and reduced growth in food purchases, this weakness in auto sales should prevent the consumer from suffering any further significant depletion in purchasing power.

Of course, consumption could slow sufficiently to tilt the economy into recession if inflation rebounds sharply relative to wage gains, or if non-wage income grows even more slowly than projected. Our projections already show surprising weakness in interest receipts. Much of this decline in interest income has occurred from sharply falling short-term interest rates early in 1985. An expected rebound in interest rates during the latter part of this year should again be offset by declining interest rates during the second half of 1986. Thus, substantial slowing already is built into projections of interest earnings over the next two years.

Inflation could intensify, especially as the trade weighted value of the dollar now is falling sharply. Our projections assume that the dollar's value will not fall any further during the remainder of 1985. However, sharp declines in the dollar's value again are expected in 1986. At this point, the dollar's weakness is expected to have limited impact upon inflationary conditions. Sensitive prices and commodities traded in world markets should experience significant price gains. Prices of precious metals are expected to rise noticeably. Price restraint in furniture and apparel should diminish. However, continued excess capacity in food production will dominate food pricing decisions, except early in 1986, when meat prices are expected to move sharply higher.

Also, surplus supplies of petroleum should continue to generate price restraints for most energy materials into 1987. OPEC's decision to postpone any serious discussion of oil pricing should continue the oil glut for another two years. Eventually, rising world demand and gradual declines in the dollar's value will sufficiently lower the world price of oil to re-establish significant inflationary pressures. (Of course, any oil import fees or other excise taxes on petroleum products are not assumed.) With prices of food and petroleum products remaining moderate, the acceleration in prices that otherwise accompany a sharp decline in the dollar's value should not develop.

Although the outlook remains one of sluggish economic activity in 1986 following only a brief inventory rebuilding spurt in the latter half of 1985, prospects for recession have diminished. First, the magnitude of inventory liquidations early in 1985 reduces prospects for any significant inventory overhang during the next two years. Although a slump in consumption still could rapidly create redundant inventories, weakness early in 1985 has tended to preclude weakness late in 1986.

Second, the Congress has become directionless. Thus, prospects for significant changes in the tax codes are rapidly receding. With diminished concerns about changing tax codes comes reduced uncertainty. One immediate effect of this diminishing prospect for tax reform is a reduction in apartment construction during the second half of 1985. Absence of strength in some construction areas during 1985 reduces the magnitude of a construction correction that will materialize in 1986.

Congress's failure to reduce the deficit will inflict longer-term harm upon capital accumulation and the prevailing rate of interest. However, failure to provide budgetary restraint leaves more stimulus from budgetary policy in 1986 than originally was anticipated. This stimulus should be sufficient to prevent recession even if reduced grants-in-aid to state and local governments requires some restraint in spending programs at that level of government.

Rapid money growth early in 1985 also may have diminished recessionary prospects. However, a simple-minded transfer from money growth to growth in nominal GNP should not be observed. As consumers increase their debt, their demand for liquidity has increased. Thus, one traditional channel through which money growth stimulates the economy, the transfer from household portfolios to household consumption, should not be at work. Otherwise, it would be necessary to project savings rates that would be historically anemic. A second traditional monetary channel where excess money balances lead to reduced interest rates followed by stimulus in interest-sensitive spending, also should be relatively modest. Auto sales already are at levels that indicate increasing per capita auto capital. Improved financing terms will generate more automobile purchases than otherwise would occur, but automobile sales otherwise would be declining in the absence of declining interest rates. Similarly, housing starts already are sufficient to meet expanding housing demand. Certainly, increased housing affordability will cause more households to seek homes. However, the bulk of deferred housing demand during previous periods of high interest rates already have been met. Finally, commodity prices remain sufficiently subdued to discourage any significant increases in inventory accumulation as short-term interest rates decline. In other words, the interest-sensitive portion of the economy is not very interest sensitive at this stage of the business cycle.

One other significant mechanism remains through which rapid money growth can stimulate the economy. If excess money balances do not alter consumer behavior or investment behavior at this phase of the business cycle, they still may alter foreign desires to hold dollar-based assets. Indeed, rapid money growth and the current decline in the dollar's value against other currencies are related. However, the economy's response to this monetary stimulus mechanism is tortuous. Weakness in the dollar will generate some inflationary fallout. To this extent, rapid money growth will be transformed into inflation without materially increasing activity. Of course, declining dollar values against other currencies eventually will raise the competitiveness of American goods in foreign markets. Initially, the response of agricultural exports and petroleum imports to changes in the dollar's value will be modest. Gains in manufactured goods might await a new production year. In general, trade flows do not materially shift until more than a year after a currency value has begun to decline.

Nevertheless, the declining dollar and its resulting positive influence upon trade flows increases prospects that recession can be avoided in 1986. To the extent that this re-alignment in currency values is the result of rapid money growth, the shift in monetary policy early in 1985 may have avoided a recession.

At the same time, the economy's responsiveness to monetary stimulus is sufficiently diminished at this stage of the cycle that unusually low money velocities should be the primary outcome of the shift in monetary policy.

Unfortunately, the foreign exchange mechanism for stimulating the economy probably generates more inflationary pressures than other methods of stimulating the domestic economy while so much capacity is being underutilized. The Federal Reserve is expected to recognize the inflationary consequences of a continuation of rapid money growth, and will desist from further stimulus once increasing inflationary pressures become apparent. Without any further Federal Reserve accommodation and with increasing economic activity as warehouse inventories are replenished, short-term interest rates should drift upward through the remainder of 1985 and into 1986. Reductions in housing activities at that time along with diminished corporate need for external borrowings should again exert downward pressures upon interest rates by the middle of next year. Interest rates then are expected to fall to a cyclical low sometime in the early months of 1987.

If the economy is so sluggish, why is the stock market so robust? The answer to this question appears to lie in the reduction in interest rates. Because of greater inventory liquidations and more substantial Federal Reserve support for money growth than had been anticipated, interest rates have fallen further than projected. Economic weakness undoubtedly has diminished the earnings from capital. However, reduced interest charges have caused interest recipients rather than equity owners to bear the burden of these reduced returns. Operating profits less tax liabilities are improving slightly. In addition, reduced interest rates increase the value of a given earnings stream from equity ownership. The stock market was slow to recognize the significance that reduced interest rates should have upon equity values. Early in the summer, however, fears of falling profits subsided, permitting investors to mark-up equity values to record levels. It should be noted, however, that the market is not anticipating economic conditions ahead, but only the value of equity ownership.

During the remainder of the summer months, improving economic activity should generate sufficient profit gains to offset concerns about rising interest rates. Thus, the market could challenge 1400 on the Dow Jones average. By the end of the year, however, renewed prospects of economic weakness will increase the vulnerability of the stock market to a significant decline. Given our current projection of sluggish but nonrecessionary growth in 1986, the market correction should not be dramatic.

In summary, slow growth early in 1985 has diminished prospects for a serious inventory overhang. At the same time, rapid money growth early in the year has led to weakness in foreign exchange markets that ultimately will improve the competitiveness of American goods abroad. Thus, net exports should not continue to drain economic strength from the U. S. after the early months of 1986. Together, these factors should be sufficient to prevent recession next year. At the same time, changes in currency values will generate increasing inflationary pressures while the consumer is generating insufficient savings to continue the vigorous support for economic expansion that was provided by consumption earlier in this expansion. The result is modest growth with gradually increasing inflationary pressures in the next two years. Thus, it is neither best of forecasts nor the worst of forecasts.

Recent Performance

Economic activity remained surprisingly weak during the second quarter as inventories increased much more slowly than had been expected. One of the major factors in the inventory drawdown is a more rapid depletion of energy materials than had been anticipated. Without incorporating a separate sector to analyze production, pricing, and inventorying of such materials, it is difficult to overcome this perennial source of inventory investment error.

However, a second inventory investment problem was generated by the continued use of expenditures to determine inventory needs rather than production. Because an increasing portion of goods is being imported, the relationship between inventories and final sales has diminished. Adjustments have been made to the goods in process portion of inventories to adjust for these inventory problems.

A second source of forecasting error has been in the trade accounts. Until the second quarter, exports continued increasing. However, an unanticipated collapse in agricultural exports created a greater trade deficit than had been expected. As mentioned above, agriculture and energy materials no longer are being tied as closely to changes in currency values as other trade components. Hopefully, this adjustment will diminish problems in capturing trade flows in the future.

Given the weakness in inventories and net exports, consumption was surprisingly strong. The reason for this appears to be the sharp increase in asset values experienced by the household sector. Although installment debt is at historical levels relative to disposable income, the asset/outlay ratio is also historically high. In other words, the household sector is more able to carry debt because sufficient assets are available to offset that debt. On the other hand, households now are much more vulnerable to a serious collapse in asset values than in the past. Fortunately, no such collapse is foreseen in this forecast period.

Also, the consumer apparently responded more to the refund checks than had been anticipated. Apparently, some households were suffering from a liquidity constraint even as others were amassing significant assets in their portfolios. As no significant fluctuations in tax payments are anticipated in the next two years, no adjustments were made for this behavior.

Because of the weakness in inventory accumulation, industrial production and, productivity were below anticipations. This explains the weaker performance in corporate profitability than had been anticipated. It also explains lower government receipts than had been projected.

One surprise during the second quarter was the weakness in housing starts despite falling interest rates. Typically, potential housing purchasers delay decisions when interest rates are falling. As interest rates fell more sharply than anticipated during the second quarter, the weakness in housing starts might be associated with this behavior. If so, starts will rise significantly above our projections later in the year. However, some of the weakness in starts was in multi-family units. Tax uncertainty rather than interest rate factors appear to be dominant there. As this uncertainty recedes, activity will become even more subdued because vacancy rates are unusually high for rental properties.

Assumptions

Two policy assumptions on budgetary restraint and tax reform have been significantly altered from our previous forecast. Aside from restraint on federal pay and the phasing out of general revenue sharing beginning in 1986, no substantial budgetary restraint program was assumed. The initial effect is to provide more economic stimulus than previously projected. Eventually, higher deficits than originally expected will lead to higher interest rates. That, in turn, will diminish capital accumulation and economic expansion. However, these are secular effects that are not sufficient to offset interest rate weakness from modest cyclical economic strength in the next two years.

Tax reform is not expected to occur in a comprehensive manner. While the investment tax credit probably will be repealed as recently as on 1987 income, provisions of the tax reform package will gradually be implemented over the next five years. During the forecast period, the impact of tax reform has been completed discounted.

The Federal Reserve is expected to become increasingly restrictive as inflationary pressures begin to build early in 1986. In addition, the Federal Reserve has washed its hands of rapid money growth in the first half of 1985. This means that no correction to that rapid growth rate should be anticipated. It does not mean, however, that the Federal Reserve will not seek to achieve more moderate growth rates in the second half of 1985. Other assumptions are as follows:

- a) Social security taxes are scheduled to increase to 7.15% for both employer and employee on a wage-base of \$41,400 in 1986. In 1987, the wage-base is expected to increase to \$43,400. Cost-of-living adjustments for social security recipients are assumed to be 3.5% in the first quarter of 1986 and 4.5% in the first quarter of 1987.
- b) Civilian and military pay for federal employees are expected to increase 4% in January 1987. No other pay increases are anticipated.
- c) No change in excise taxes were assumed during the two-year forecast period. This eliminated scheduled reductions in cigarette taxes and ruled out any import fees on petroleum products. Postal rates were not assumed to change in the forecast period.
- d) Oil prices were expected to drift lower, reaching an effective price of \$26.30 per barrel early in 1986. A gradual firming to \$27 per barrel was anticipated in 1987.
- e) World trade is expected to grow 5% in 1985 and 4% in 1986. No unusual crop failures or other demand distorting conditions were assumed to distort world trade.

CONCLUSION AND SUMMARY

A decline in the dollar's value from early March peaks should begin to improve net exports by the early months of 1986. Also, inventory liquidations early in 1985 diminish prospects of substantial inventory overbuilding during the forecast period. These factors may be sufficient to rule out a recession in 1986.

However, the dollar's decline has an inflationary side effect. Because of excess capacity in agricultural production and excessive oil product, the inflationary fallout from a falling dollar will be blunted. Nevertheless, a falling dollar eventually means world oil prices should fall sufficiently to equate world demand with world supply. By the end of 1987, the oil glut should be at an end. Even with an oil glut, consumer prices are expected to accelerate from 3.5% in 1985 to 4.2% in 1986. The GNP deflator will be growing in excess of 5% by the end of 1986.

While recession may be avoided, robust economic activity also is not likely. Consumer savings already are historically low. As consumer spending slows, weakness in purchases of consumer durables could throw the automobile industry and much of the furniture and furnishings industries into recession. Office overbuilding will require some pause in construction activity. Now that prospects for tax reform are diminishing, apartment builders need not rush to construct their facilities. This weakness in construction activity will combine with diminished consumer support to create unusually choppy economic gains in the next two years. After increasing 2.5% in 1985, real growth is expected to remain a sluggish 2.4% in 1986.

This sluggish performance will prevent interest rates from rising significantly. However, some increase in interest rates is anticipated during the latter half of 1985 and into the early months of 1986. Rates then are expected to drift downward. Equity values are at historically high levels because declining interest rates have reduced the financing cost of corporations and enhanced the value of equity earnings. When interest rates begin drifting upward, the stock market will become vulnerable to a downturn.

While a recession has now diminished for 1986, heightened inflationary pressures, a consumer still experiencing heavy debt burdens, and a construction sector that is overbuilt by almost any standard will prevent an early return to vigorous economic expansion.

Table 1.

Georgia State University
College of Business Administration
Economic Forecasting Project
August 1985

U.S. Expenditures for 1985-I and II with Forecasts for 1985-III through 1987-II

	1985				1986				1987		Percent Change			Annual		
	I	II	III	IV	I	II	III	IV	I	II	83-84	84-85	85-86	1984	1985	1986
1. <u>Personal Consumption Expenditures</u>	2446.5	2496.1	2536.4	2575.4	2614.7	2656.6	2704.1	2741.7	2787.0	2837.6	8.6	7.3	6.6	2341.8	2513.6	2679.3
2. Autos and Parts	155.7	159.1	158.8	160.0	160.9	159.4	160.3	157.7	158.8	161.6	15.8	5.7	0.7	149.8	158.4	159.6
3. Other Durable Goods	179.1	181.6	182.6	183.8	185.1	186.3	187.5	188.5	189.8	191.4	12.3	7.6	2.8	169.0	181.8	186.9
4. Nondurable Goods	877.3	894.7	903.5	912.3	919.7	932.5	948.1	960.3	972.6	986.6	6.9	4.7	4.8	856.9	897.0	940.2
5. Services	1234.4	1250.7	1291.5	1319.3	1349.0	1378.4	1408.2	1435.2	1465.8	1498.0	8.5	9.5	9.1	1166.2	1276.5	1392.7
6. <u>Gross Private Domestic Investment</u>	646.8	638.7	650.1	673.3	683.7	680.0	673.0	681.1	677.0	693.2	35.2	2.3	4.2	637.9	652.2	679.5
7. Residential Struct.	155.2	159.6	160.4	163.5	162.1	156.1	149.7	151.1	155.5	161.4	16.4	3.8	-3.1	153.9	159.7	154.8
8. Other Structures	162.9	171.5	176.2	179.8	182.7	185.3	187.1	189.2	190.4	190.7	15.9	14.8	7.8	150.4	172.6	186.1
9. Producers' Durables	288.0	295.0	298.9	304.6	307.0	309.2	311.9	314.7	315.6	316.6	23.3	7.7	4.7	275.3	296.6	310.7
10. Change in Inventories	40.7	12.6	14.6	25.4	31.9	29.4	24.3	26.1	15.5	24.5	---	---	---	58.2	23.3	27.9
11. <u>Net Export of Goods and Services</u>	-74.5	-91.1	-102.5	-105.4	-105.3	-102.4	-98.1	-90.3	-82.8	-78.1	---	---	---	-64.2	-93.4	-99.0
12. Exports	360.7	349.5	354.6	361.7	367.6	377.5	384.7	398.7	408.5	421.5	8.4	-2.1	7.2	364.3	356.6	382.1
13. Imports	435.2	440.7	457.1	467.1	472.9	479.9	482.8	489.0	491.3	499.6	22.1	5.0	6.9	428.5	450.0	481.2
14. <u>Government Purchases of Goods and Services</u>	791.9	809.8	829.0	842.5	858.7	872.6	888.2	905.3	923.4	937.8	9.0	9.5	7.7	747.4	818.3	881.2
15. Federal	319.9	325.2	335.7	340.6	347.2	352.3	359.5	367.5	375.5	380.6	9.5	11.8	8.0	295.4	330.4	356.6
16. National Defense	233.9	240.9	247.5	252.4	258.5	263.9	269.5	275.5	282.8	288.2	10.5	10.0	9.5	221.5	243.7	266.9
17. Other	85.9	84.3	88.2	88.2	88.7	88.4	90.0	92.0	92.7	92.4	6.6	17.3	3.6	73.9	86.7	89.8
18. State and Local	472.0	484.6	493.3	501.9	511.5	520.3	529.0	537.8	547.9	557.2	8.7	8.0	7.5	452.0	488.0	524.7
19. <u>Gross National Product</u>	3810.6	3853.5	3913.0	3985.8	4051.8	4106.8	4167.2	4237.8	4304.6	4390.5	10.8	6.2	6.4	3662.8	3890.7	4140.9
20. Amount of Change	51.9	42.9	59.5	72.8	66.0	55.0	60.4	70.6	66.8	85.9	---	---	---	358.0	227.9	250.2
21. % Change*	5.6	4.6	6.3	7.7	6.8	5.5	6.0	7.0	6.5	8.2	---	---	---	10.8	6.2	6.4
22. % Real Change*	0.3	1.7	3.1	4.2	2.4	1.2	1.4	2.5	1.4	3.5	---	---	---	6.8	2.5	2.4
23. % Price Change*	5.4	2.8	3.2	3.4	4.3	4.3	4.5	4.4	5.0	4.5	---	---	---	3.8	3.7	3.9
24. Implicit Price Deflator	229.07	230.65	232.46	234.39	236.86	239.39	242.05	244.65	247.65	250.40	3.8	3.7	3.9	223.41	231.64	240.74
25. Change in Final Sales	47.9	70.9	57.5	62.0	59.5	57.5	65.5	68.8	77.4	76.9	---	---	---	-----	-----	-----
26. GNP in 1972 Dollars	1663.5	1670.7	1683.3	1700.5	1710.6	1715.5	1721.6	1732.2	1738.2	1753.4	6.8	2.5	2.4	1639.3	1679.5	1720.0

Table 2.

Georgia State University
College of Business Administration
Economic Forecasting Project
August 1985

U.S. Real Expenditures for 1985-I and II with Forecasts for 1985-III through 1987-II

	1985				1986				1987		Percent Change			Annual		
	I	II	III	IV	I	II	III	IV	I	II	83-84	84-85	85-86	1984	1985	1986
1. <u>Personal Consumption</u>	<u>1089.2</u>	<u>1103.1</u>	<u>1110.8</u>	<u>1118.3</u>	<u>1122.8</u>	<u>1128.3</u>	<u>1135.3</u>	<u>1138.6</u>	<u>1144.3</u>	<u>1151.5</u>	<u>5.3</u>	<u>4.0</u>	<u>2.3</u>	<u>1062.4</u>	<u>1105.4</u>	<u>1131.3</u>
2. Durable Goods	187.0	190.6	190.3	190.7	191.1	190.1	190.1	188.0	188.2	189.3	13.0	6.5	0.1	178.1	189.7	189.8
3. Nondurable Goods	398.6	404.4	407.2	409.8	409.3	411.6	414.6	416.8	418.5	420.6	4.6	2.9	2.0	393.6	405.0	413.1
4. Services	503.5	508.1	513.3	517.8	522.4	526.6	530.6	533.8	537.6	541.6	3.2	4.0	3.5	490.8	510.7	528.4
5. <u>Gross Private Domestic Invest.</u>	<u>292.1</u>	<u>287.7</u>	<u>292.0</u>	<u>300.6</u>	<u>303.6</u>	<u>300.4</u>	<u>295.4</u>	<u>296.9</u>	<u>292.7</u>	<u>297.3</u>	<u>31.2</u>	<u>1.1</u>	<u>2.0</u>	<u>289.9</u>	<u>293.1</u>	<u>299.1</u>
6. Residential Structures	60.0	62.0	62.1	62.9	61.9	59.4	56.6	56.8	57.9	59.5	12.1	2.6	-5.0	60.2	61.8	58.7
7. Other Structures	60.8	63.5	64.9	65.8	66.5	67.0	67.3	67.6	67.5	67.2	15.5	12.1	5.3	56.9	63.8	67.1
8. Producers' Durables	152.2	156.4	157.4	159.5	160.0	160.3	160.7	160.9	160.1	159.4	21.5	5.7	2.6	148.0	156.4	160.5
9. Change in Inventories	19.1	5.8	7.6	12.4	15.2	13.7	10.8	11.6	7.2	11.2	----	----	----	24.8	11.2	12.8
10. <u>Net Export of Goods and Services</u>	<u>-28.4</u>	<u>-33.8</u>	<u>-37.0</u>	<u>-37.6</u>	<u>-37.0</u>	<u>-36.0</u>	<u>-34.2</u>	<u>-30.8</u>	<u>-27.1</u>	<u>-24.7</u>	<u>----</u>	<u>----</u>	<u>----</u>	<u>-15.0</u>	<u>-34.2</u>	<u>-34.5</u>
11. Exports	143.7	139.0	140.5	142.7	143.9	146.1	147.5	151.3	153.6	156.7	4.7	-3.1	4.0	146.0	141.5	147.2
12. Imports	172.1	172.7	177.5	180.3	180.9	182.1	181.7	182.1	180.7	181.4	26.9	9.0	3.4	161.1	175.7	181.7
13. <u>Gov't Purchases of Goods & Services</u>	<u>310.7</u>	<u>313.7</u>	<u>317.5</u>	<u>319.2</u>	<u>321.2</u>	<u>322.8</u>	<u>325.1</u>	<u>327.5</u>	<u>328.3</u>	<u>329.3</u>	<u>3.5</u>	<u>4.4</u>	<u>2.8</u>	<u>302.1</u>	<u>315.3</u>	<u>324.2</u>
14. Federal	129.8	130.6	133.6	134.6	136.2	137.4	139.2	141.1	141.6	142.3	5.4	7.9	4.8	122.5	132.2	138.5
15. State & Local	180.9	183.1	183.9	184.6	185.0	185.4	185.9	186.4	186.7	187.0	2.2	2.0	1.4	179.6	183.1	185.7
16. <u>Gross National Product</u>	<u>1663.5</u>	<u>1670.7</u>	<u>1683.3</u>	<u>1700.5</u>	<u>1710.6</u>	<u>1715.5</u>	<u>1721.6</u>	<u>1732.2</u>	<u>1738.8</u>	<u>1753.4</u>	<u>6.8</u>	<u>2.5</u>	<u>2.4</u>	<u>1639.3</u>	<u>1679.5</u>	<u>1720.0</u>
17. <u>Final Demand</u>	<u>1644.4</u>	<u>1664.9</u>	<u>1675.7</u>	<u>1688.1</u>	<u>1695.4</u>	<u>1701.8</u>	<u>1710.8</u>	<u>1720.6</u>	<u>1731.6</u>	<u>1742.2</u>	<u>5.0</u>	<u>3.3</u>	<u>2.3</u>	<u>1614.5</u>	<u>1668.3</u>	<u>1707.2</u>
18. <u>Private Domestic Product</u>	<u>1488.5</u>	<u>1495.8</u>	<u>1507.8</u>	<u>1525.1</u>	<u>1534.9</u>	<u>1539.5</u>	<u>1544.9</u>	<u>1560.4</u>	<u>1559.2</u>	<u>1573.9</u>	<u>7.9</u>	<u>2.9</u>	<u>2.7</u>	<u>1461.8</u>	<u>1504.3</u>	<u>1544.9</u>

Table 3.

Georgia State University
College of Business Administration
Economic Forecasting Project
August 1985

Income Related U.S. GNP Components for 1985-I and II with Forecasts for 1985-III through 1987-II

	1985				1986				1987		Percent Change			Annual		
	I	II	III	IV	I	II	III	IV	I	II	83-84	84-85	85-86	1984	1985	1986
1. <u>Compensation of Employees</u>	2272.7	2306.5	2344.9	2386.1	2429.4	2464.4	2501.9	2541.6	2593.1	2639.8	9.5	7.1	6.7	2172.7	2327.6	2484.3
2. <u>Wage and Salary</u>	1882.8	1910.2	1941.7	1975.0	2005.9	2034.4	2064.7	2096.8	2135.1	2173.7	8.8	6.8	6.4	1804.1	1927.4	2050.5
3. <u>Manufacturing</u>	447.0	447.7	450.6	456.0	460.0	465.0	470.2	474.3	479.7	486.8	9.8	3.8	3.8	433.9	450.3	467.4
4. <u>Other Commodity-Producing</u>	143.9	146.4	147.7	150.1	151.7	151.9	152.1	154.7	157.3	160.3	9.0	8.6	3.8	135.4	147.0	152.6
5. <u>Distributive Industries</u>	449.0	456.0	465.4	473.8	481.6	488.9	496.8	504.8	512.7	522.1	8.4	6.7	6.9	432.1	461.1	493.0
6. <u>Service Industries</u>	477.4	489.4	502.2	514.2	526.0	537.4	549.7	561.7	574.7	588.6	9.6	9.5	9.7	452.9	495.8	543.7
7. <u>Military</u>	48.7	48.9	49.6	49.7	49.9	50.0	50.2	50.5	52.3	52.5	7.2	5.3	1.9	46.8	49.2	50.2
8. <u>Civilian Gov't</u>	316.8	321.8	326.2	331.2	336.7	341.2	345.7	350.8	358.4	363.4	6.7	6.9	6.0	303.2	324.0	343.6
9. <u>Supplements</u>	389.8	396.3	403.2	411.1	423.5	430.0	437.2	444.8	458.0	466.1	13.1	8.4	8.4	369.0	400.1	433.9
10. <u>Proprietors' Income</u>	159.8	161.7	159.2	164.4	170.0	172.0	172.7	175.7	174.4	178.3	26.8	4.5	7.0	154.4	161.3	172.6
11. <u>Business and Professional</u>	134.0	138.5	142.9	146.3	147.8	148.3	148.5	149.6	151.0	153.4	17.0	11.2	5.8	126.2	140.4	148.6
12. <u>Farm</u>	25.7	23.2	16.3	18.1	22.2	23.7	24.2	26.1	23.4	24.9	104.0	-26.0	15.5	28.2	20.8	24.1
13. <u>Rental Income</u>	64.8	67.1	69.4	71.0	72.5	74.1	75.7	77.3	79.0	80.7	7.2	8.9	10.0	62.5	68.1	74.9
14. <u>Net Interest</u>	287.0	280.0	276.6	280.3	284.5	286.6	282.3	286.9	285.6	290.7	10.7	-1.1	1.5	284.1	281.0	285.1
15. <u>Corp Profits Adj</u>	292.3	290.0	293.3	298.0	296.0	290.8	291.8	289.5	292.2	297.8	26.9	2.7	-0.5	285.7	293.4	292.0
16. <u>National Income</u>	3076.5	3105.3	3143.4	3199.8	3252.4	3287.9	3324.4	3371.0	3424.3	3487.3	11.8	5.8	5.7	2959.9	3131.3	3308.9
17. <u>Indirect Business Tax</u>	317.5	324.8	330.1	335.5	340.6	346.7	353.9	360.7	367.6	375.0	8.4	7.5	7.2	304.0	327.0	350.5
18. <u>Capital Consumption Adjusted</u>	-29.1	-38.1	-39.9	-40.8	-41.5	-41.9	-41.3	-39.9	-38.3	-36.7	---	---	---	-14.1	-37.0	-41.2
19. <u>Capital Consumption Allowances</u>	450.1	465.3	478.4	490.5	502.6	515.6	527.4	539.6	551.3	563.0	13.6	12.9	10.7	417.3	471.1	521.3
20. <u>Business Transfers</u>	18.5	19.0	19.5	20.0	20.5	21.1	21.7	22.2	22.8	23.3	11.1	11.1	11.0	17.3	19.3	21.4
21. <u>Net Gov't Subsidies</u>	-14.8	-15.1	-13.0	-12.4	-13.1	-12.7	-11.8	-13.2	-13.3	-13.6	-8.7	-3.0	-8.1	-14.3	-13.8	-12.7
22. <u>Stat Discrepancy</u>	-8.1	-7.7	-5.5	-6.8	-9.7	-9.9	-7.1	-2.6	-9.8	-7.8	---	---	---	-7.4	-7.0	-7.3
23. <u>Gross National Product</u>	3810.6	3853.5	3913.0	3985.8	4051.8	4106.8	4167.2	4237.8	4304.6	4390.5	10.8	6.2	6.4	3662.8	3890.7	4140.9

Table 4.

Georgia State University
College of Business Administration
Economic Forecasting Project
August 1985

Derivation of U.S. Personal Income for 1985-I and II with Forecasts for 1985-III through 1987-II

	1985				1986				1987		Percent Change			Annual		
	I	II	III	IV	I	II	III	IV	I	II	83-84	84-85	85-86	1984	1985	1986
1. <u>National Income</u>	<u>3076.5</u>	<u>3105.3</u>	<u>3143.4</u>	<u>3199.8</u>	<u>3252.4</u>	<u>3287.9</u>	<u>3324.4</u>	<u>3371.0</u>	<u>3424.3</u>	<u>3487.3</u>	<u>11.8</u>	<u>5.8</u>	<u>5.7</u>	<u>2959.9</u>	<u>3131.3</u>	<u>3308.9</u>
2. Less: Corp. Profits Adj.	292.3	290.0	293.3	298.0	296.0	290.8	291.8	289.5	292.2	297.8	26.9	2.7	-0.5	285.7	293.4	292.0
3. Social Insurance	330.0	334.5	339.7	345.6	359.6	363.8	368.7	374.3	390.2	396.6	12.2	10.3	8.6	306.0	337.5	366.6
4. Plus: G'ment Transfers	420.7	421.3	424.2	429.1	436.9	440.8	443.7	449.3	461.3	464.7	2.6	6.1	4.4	399.4	423.8	442.7
5. Old Age, Survivors, etc.	249.6	250.1	252.9	256.8	263.1	265.6	267.5	271.4	280.6	283.1	7.1	6.4	5.8	237.3	252.4	266.9
6. Unemployment Benefits	17.8	15.9	16.1	15.6	15.4	15.4	15.4	15.5	15.4	15.0	-39.0	2.7	-5.7	15.9	16.4	15.4
7. Veterans' Benefits	16.9	17.0	17.0	17.1	17.3	17.4	17.3	17.3	17.5	17.6	-0.5	2.9	1.9	16.5	17.0	17.3
8. Employees' Retirement	67.1	68.5	68.1	68.8	70.4	71.6	72.9	74.0	75.9	77.0	4.5	9.6	6.0	62.2	68.1	72.2
9. A.F.D.C.	15.1	15.4	15.6	15.6	16.0	16.0	15.9	16.0	16.6	16.7	3.9	4.6	3.6	14.8	15.4	16.0
10. Other	54.2	54.5	54.5	55.2	54.7	54.8	54.7	55.1	55.3	55.3	3.2	3.4	0.4	52.8	54.6	54.8
11. Business Transfers	18.5	19.0	19.5	20.0	20.5	21.1	21.7	22.2	22.8	23.3	11.1	11.1	11.0	17.3	19.3	21.4
12. Interest Transfers	169.0	177.1	183.6	190.3	197.4	204.1	210.3	217.1	223.1	229.6	25.0	20.3	15.1	149.6	180.0	207.2
13. Personal Dividends	81.4	82.5	83.2	84.1	85.1	86.0	86.8	88.1	89.8	91.4	10.6	6.5	4.5	77.7	82.8	86.5
14. Equals: <u>Personal Income</u>	<u>3143.8</u>	<u>3181.6</u>	<u>3220.9</u>	<u>3279.7</u>	<u>3336.7</u>	<u>3385.3</u>	<u>3426.4</u>	<u>3483.9</u>	<u>3538.8</u>	<u>3601.8</u>	<u>9.8</u>	<u>6.5</u>	<u>6.3</u>	<u>3012.2</u>	<u>3206.5</u>	<u>3408.1</u>
15. Less: Personal Tax Payments	489.0	447.0	447.1	488.6	494.7	502.5	505.9	517.8	520.3	532.8	7.7	9.2	6.3	435.3	475.4	505.2
16. Equals: <u>Disposable Personal Income</u>	<u>2654.8</u>	<u>2734.6</u>	<u>2743.8</u>	<u>2791.1</u>	<u>2842.0</u>	<u>2882.8</u>	<u>2920.5</u>	<u>2966.1</u>	<u>3018.5</u>	<u>3069.0</u>	<u>10.1</u>	<u>6.0</u>	<u>6.3</u>	<u>2576.9</u>	<u>2731.1</u>	<u>2902.9</u>
17. Less: Consumption	2446.5	2496.1	2536.4	2575.4	2614.7	2656.6	2704.1	2741.7	2787.0	2837.6	8.6	7.3	6.6	2341.8	2513.6	2679.3
18. Less: Other Outlays	89.7	93.8	98.2	102.9	106.9	111.0	115.0	119.5	123.0	127.1	19.4	21.8	17.6	79.0	96.2	113.1
19. Equals: <u>Personal Savings</u>	<u>118.6</u>	<u>144.7</u>	<u>109.2</u>	<u>112.8</u>	<u>120.4</u>	<u>115.2</u>	<u>101.4</u>	<u>104.9</u>	<u>108.5</u>	<u>104.3</u>	<u>32.2</u>	<u>-22.3</u>	<u>-8.9</u>	<u>156.1</u>	<u>121.3</u>	<u>110.5</u>
20. Savings Rate (%)	4.5	5.3	4.0	4.0	4.2	4.0	3.5	3.5	3.6	3.4	21.5	-26.7	-14.6	6.1	4.5	3.8

Table 5.

Georgia State University
College of Business Administration
Economic Forecasting Project
August 1985

U.S. Federal Government Activity for 1985-I and II with Forecasts for 1985-III through 1987-II

	1985				1986				1987		Percent Change			Annual		
	I	II	III	IV	I	II	III	IV	I	II	83-84	84-85	85-86	1984	1985	1986
1. <u>Government Receipts</u>	<u>771.4</u>	<u>729.1</u>	<u>761.5</u>	<u>778.4</u>	<u>794.2</u>	<u>801.3</u>	<u>807.8</u>	<u>823.2</u>	<u>838.7</u>	<u>855.5</u>	<u>9.9</u>	<u>7.9</u>	<u>6.1</u>	<u>704.7</u>	<u>760.1</u>	<u>806.6</u>
2. <u>Personal Tax & Non-Tax</u>	<u>362.2</u>	<u>317.2</u>	<u>345.2</u>	<u>353.7</u>	<u>356.4</u>	<u>361.4</u>	<u>362.4</u>	<u>371.3</u>	<u>370.7</u>	<u>379.6</u>	<u>6.7</u>	<u>9.4</u>	<u>5.3</u>	<u>315.0</u>	<u>344.6</u>	<u>362.9</u>
3. <u>Corporate Profits Tax</u>	<u>67.4</u>	<u>65.1</u>	<u>64.8</u>	<u>67.5</u>	<u>67.7</u>	<u>65.2</u>	<u>65.7</u>	<u>66.2</u>	<u>66.6</u>	<u>68.4</u>	<u>18.3</u>	<u>-6.4</u>	<u>0.0</u>	<u>70.8</u>	<u>66.2</u>	<u>66.2</u>
4. <u>Indirect Business Tax</u>	<u>56.4</u>	<u>58.0</u>	<u>58.5</u>	<u>59.4</u>	<u>60.1</u>	<u>60.8</u>	<u>61.9</u>	<u>63.3</u>	<u>64.2</u>	<u>65.1</u>	<u>6.0</u>	<u>4.6</u>	<u>5.9</u>	<u>55.5</u>	<u>58.1</u>	<u>61.5</u>
5. <u>Contributions for Social Security</u>	<u>285.3</u>	<u>288.8</u>	<u>293.0</u>	<u>297.8</u>	<u>310.6</u>	<u>313.9</u>	<u>317.8</u>	<u>322.4</u>	<u>337.2</u>	<u>342.4</u>	<u>12.7</u>	<u>10.5</u>	<u>8.6</u>	<u>263.5</u>	<u>291.2</u>	<u>316.2</u>
6. <u>Government Expenditures</u>	<u>936.5</u>	<u>946.5</u>	<u>960.1</u>	<u>974.0</u>	<u>986.8</u>	<u>977.4</u>	<u>1008.8</u>	<u>1027.1</u>	<u>1044.9</u>	<u>1054.7</u>	<u>7.4</u>	<u>8.4</u>	<u>4.8</u>	<u>880.5</u>	<u>954.3</u>	<u>1000.0</u>
7. <u>Purchases of Goods and Services</u>	<u>319.9</u>	<u>325.2</u>	<u>335.7</u>	<u>340.6</u>	<u>347.2</u>	<u>352.3</u>	<u>359.5</u>	<u>367.5</u>	<u>375.5</u>	<u>380.6</u>	<u>9.5</u>	<u>11.8</u>	<u>8.0</u>	<u>295.4</u>	<u>330.4</u>	<u>356.6</u>
8. <u>Defense</u>	<u>233.9</u>	<u>240.9</u>	<u>247.5</u>	<u>252.4</u>	<u>258.5</u>	<u>263.9</u>	<u>269.5</u>	<u>275.5</u>	<u>282.8</u>	<u>288.2</u>	<u>10.5</u>	<u>10.0</u>	<u>9.5</u>	<u>221.5</u>	<u>243.7</u>	<u>266.9</u>
9. <u>Durables</u>	<u>73.5</u>	<u>76.1</u>	<u>79.9</u>	<u>82.7</u>	<u>86.7</u>	<u>90.0</u>	<u>93.3</u>	<u>96.8</u>	<u>99.5</u>	<u>102.6</u>	<u>17.3</u>	<u>12.6</u>	<u>17.5</u>	<u>69.3</u>	<u>78.1</u>	<u>91.7</u>
10. <u>Nondurables</u>	<u>10.7</u>	<u>11.7</u>	<u>12.1</u>	<u>12.4</u>	<u>12.5</u>	<u>12.8</u>	<u>13.1</u>	<u>13.4</u>	<u>13.6</u>	<u>13.8</u>	<u>-6.0</u>	<u>0.6</u>	<u>10.4</u>	<u>11.7</u>	<u>11.7</u>	<u>13.0</u>
11. <u>Military Compensation</u>	<u>48.7</u>	<u>48.9</u>	<u>49.6</u>	<u>49.7</u>	<u>49.9</u>	<u>50.0</u>	<u>50.2</u>	<u>50.5</u>	<u>52.3</u>	<u>52.5</u>	<u>7.2</u>	<u>5.3</u>	<u>1.9</u>	<u>46.8</u>	<u>49.2</u>	<u>50.2</u>
12. <u>Civilian Compensation</u>	<u>32.4</u>	<u>32.6</u>	<u>32.6</u>	<u>32.7</u>	<u>32.9</u>	<u>33.0</u>	<u>33.1</u>	<u>33.3</u>	<u>34.3</u>	<u>34.4</u>	<u>5.9</u>	<u>4.4</u>	<u>1.5</u>	<u>31.2</u>	<u>32.6</u>	<u>33.1</u>
13. <u>Other Services</u>	<u>64.0</u>	<u>66.2</u>	<u>67.9</u>	<u>69.4</u>	<u>70.9</u>	<u>72.6</u>	<u>74.1</u>	<u>75.8</u>	<u>77.3</u>	<u>79.1</u>	<u>12.5</u>	<u>15.8</u>	<u>9.7</u>	<u>57.8</u>	<u>66.9</u>	<u>73.4</u>
14. <u>Structures</u>	<u>4.6</u>	<u>5.5</u>	<u>5.4</u>	<u>5.5</u>	<u>5.6</u>	<u>5.5</u>	<u>5.7</u>	<u>5.7</u>	<u>5.8</u>	<u>5.8</u>	<u>7.1</u>	<u>7.7</u>	<u>7.1</u>	<u>4.9</u>	<u>5.3</u>	<u>5.6</u>
15. <u>Nondefense</u>	<u>85.9</u>	<u>84.3</u>	<u>88.2</u>	<u>88.2</u>	<u>88.7</u>	<u>88.4</u>	<u>90.0</u>	<u>92.0</u>	<u>92.7</u>	<u>92.4</u>	<u>6.7</u>	<u>17.3</u>	<u>3.6</u>	<u>73.9</u>	<u>86.7</u>	<u>89.8</u>
16. <u>Durables</u>	<u>4.1</u>	<u>4.1</u>	<u>4.1</u>	<u>4.0</u>	<u>4.1</u>	<u>4.1</u>	<u>4.2</u>	<u>4.3</u>	<u>4.2</u>	<u>4.3</u>	<u>5.0</u>	<u>10.1</u>	<u>2.5</u>	<u>3.7</u>	<u>4.1</u>	<u>4.2</u>
16. <u>Nondurables</u>	<u>8.7</u>	<u>6.1</u>	<u>9.2</u>	<u>8.7</u>	<u>8.4</u>	<u>8.7</u>	<u>9.3</u>	<u>10.3</u>	<u>9.2</u>	<u>8.1</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>0.6</u>	<u>8.2</u>	<u>9.2</u>
17. <u>CCC Inventory Change</u>	<u>3.8</u>	<u>0.5</u>	<u>3.5</u>	<u>3.1</u>	<u>2.4</u>	<u>2.8</u>	<u>3.2</u>	<u>4.0</u>	<u>2.6</u>	<u>1.5</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>-5.0</u>	<u>2.7</u>	<u>3.1</u>
18. <u>Other Nondurables</u>	<u>4.9</u>	<u>5.5</u>	<u>5.7</u>	<u>5.6</u>	<u>6.0</u>	<u>5.9</u>	<u>6.1</u>	<u>6.3</u>	<u>6.6</u>	<u>6.6</u>	<u>-1.8</u>	<u>-2.3</u>	<u>12.0</u>	<u>5.6</u>	<u>5.4</u>	<u>6.1</u>
19. <u>Compensation</u>	<u>38.0</u>	<u>38.3</u>	<u>38.3</u>	<u>38.4</u>	<u>38.5</u>	<u>38.6</u>	<u>38.7</u>	<u>38.9</u>	<u>40.0</u>	<u>40.1</u>	<u>5.6</u>	<u>4.5</u>	<u>1.1</u>	<u>36.6</u>	<u>38.3</u>	<u>38.7</u>
20. <u>Other Services</u>	<u>28.2</u>	<u>29.0</u>	<u>29.6</u>	<u>30.0</u>	<u>30.7</u>	<u>30.1</u>	<u>30.8</u>	<u>31.4</u>	<u>32.1</u>	<u>32.7</u>	<u>6.3</u>	<u>11.6</u>	<u>5.3</u>	<u>26.2</u>	<u>29.2</u>	<u>30.8</u>
21. <u>Structures</u>	<u>7.0</u>	<u>6.9</u>	<u>7.0</u>	<u>7.1</u>	<u>7.0</u>	<u>6.9</u>	<u>7.0</u>	<u>7.1</u>	<u>7.2</u>	<u>7.2</u>	<u>1.9</u>	<u>3.3</u>	<u>0.0</u>	<u>6.8</u>	<u>7.0</u>	<u>7.0</u>
22. <u>Transfer Payments</u>	<u>370.3</u>	<u>367.6</u>	<u>371.1</u>	<u>378.2</u>	<u>382.9</u>	<u>385.0</u>	<u>388.7</u>	<u>395.1</u>	<u>402.6</u>	<u>403.7</u>	<u>2.1</u>	<u>5.3</u>	<u>4.3</u>	<u>353.0</u>	<u>371.8</u>	<u>387.9</u>
23. <u>Grant-in-Aid to State and Local Governments</u>	<u>95.1</u>	<u>98.4</u>	<u>98.9</u>	<u>98.3</u>	<u>95.7</u>	<u>95.8</u>	<u>94.7</u>	<u>95.0</u>	<u>95.6</u>	<u>96.4</u>	<u>8.1</u>	<u>4.8</u>	<u>-2.4</u>	<u>93.2</u>	<u>97.7</u>	<u>95.3</u>
24. <u>Net Interest Paid</u>	<u>128.2</u>	<u>130.9</u>	<u>133.1</u>	<u>136.1</u>	<u>139.4</u>	<u>143.1</u>	<u>145.5</u>	<u>147.6</u>	<u>149.2</u>	<u>151.6</u>	<u>23.8</u>	<u>13.2</u>	<u>9.0</u>	<u>116.7</u>	<u>132.1</u>	<u>143.9</u>
25. <u>Deficit of Government Enterprises</u>	<u>23.2</u>	<u>23.4</u>	<u>21.2</u>	<u>20.8</u>	<u>21.6</u>	<u>21.2</u>	<u>20.4</u>	<u>21.9</u>	<u>22.0</u>	<u>22.4</u>	<u>-4.7</u>	<u>-0.8</u>	<u>-4.0</u>	<u>22.3</u>	<u>22.2</u>	<u>21.3</u>
26. <u>Federal Surplus</u>	<u>-165.1</u>	<u>-217.4</u>	<u>-198.6</u>	<u>-195.6</u>	<u>-192.6</u>	<u>-196.1</u>	<u>-201.0</u>	<u>-203.9</u>	<u>-206.2</u>	<u>-199.2</u>	<u>----</u>	<u>----</u>	<u>----</u>	<u>-175.9</u>	<u>-194.2</u>	<u>-198.4</u>
27. <u>Federal Debt Held by Individuals</u>	<u>1255.5</u>	<u>1285.1</u>	<u>1333.1</u>	<u>1362.9</u>	<u>1414.7</u>	<u>1443.9</u>	<u>1495.9</u>	<u>1539.3</u>	<u>1596.9</u>	<u>1630.0</u>	<u>17.6</u>	<u>15.3</u>	<u>12.6</u>	<u>1135.5</u>	<u>1309.2</u>	<u>1473.5</u>
28. <u>Total Government Surplus</u>	<u>-111.4</u>	<u>-165.2</u>	<u>-148.0</u>	<u>-145.4</u>	<u>-146.7</u>	<u>-151.1</u>	<u>-156.7</u>	<u>-159.8</u>	<u>-162.9</u>	<u>-153.8</u>	<u>----</u>	<u>----</u>	<u>----</u>	<u>-123.0</u>	<u>-142.5</u>	<u>-153.6</u>

Table 6.

Georgia State University
College of Business Administration
Economic Forecasting Project
August 1985

Selected Economic Variables of the U.S. Economy for 1985-I and II with Forecasts for 1985-III through 1987-II

	1985				1986				1987		Percent Change			Annual		
	I	II	III	IV	I	II	III	IV	I	II	83-84	84-85	85-86	1984	1985	1986
<u>Private Economy</u>																
1. Change in Private Hourly Wage Costs	4.6	2.9	3.8	4.3	5.4	4.3	4.9	5.2	5.7	5.3	---	---	---	3.1	3.6	4.6
2. Change in Output Per Worker Hour	-2.9	-1.1	0.0	1.7	0.4	-0.4	-0.2	1.0	-0.8	1.2	---	---	---	1.2	-0.5	0.3
3. Change in Implicit Unit Labor Costs	7.6	4.1	3.5	2.8	5.0	4.7	5.2	3.9	6.6	3.8	---	---	---	1.9	4.1	4.3
4. Change in Private Price Deflator	4.9	2.5	3.0	3.2	4.2	4.2	4.6	4.4	4.4	4.7	---	---	---	3.5	3.4	3.8
<u>Prices</u>																
5. Consumer Price Index	317.8	321.1	323.3	326.2	329.8	334.0	337.2	340.9	345.0	349.7	4.3	3.5	4.2	311.2	322.1	335.5
6. Industrial Commod. (Producer Price Index)	322.8	324.8	324.7	326.2	328.0	329.6	331.3	333.6	335.5	338.1	2.2	0.6	1.9	322.6	324.6	330.6
<u>Corporate Economy</u>																
7. After Tax Profit	137.0	131.2	131.6	135.8	135.1	128.6	131.5	133.0	134.7	138.1	13.9	-7.7	-1.4	145.1	133.9	132.1
8. Inventory Profits	0.9	0.1	1.2	-3.2	-5.7	-1.7	-4.5	-8.5	-7.6	-7.4	---	---	---	-5.7	-0.3	-5.1
9. Genuine Profits	207.0	207.7	211.3	212.5	210.4	208.6	208.8	206.0	208.2	211.4	31.1	7.0	-0.6	195.9	209.6	208.5
10. Mean Closing Dow Jones	1266.8	1290.4	1347.7	1344.4	1296.2	1306.0	1308.8	1254.2	1295.4	1312.2	-1.0	11.4	-1.6	1178.5	1312.3	1291.3
11. Mean Closing NY Composite	102.47	107.86	113.63	112.86	107.84	109.13	109.65	105.17	108.76	109.93	-0.2	18.1	-1.2	92.46	109.20	107.95
<u>Financial</u>																
12. Monetary Base	219.9	224.7	229.0	232.8	236.4	240.0	243.6	247.3	251.3	255.5	8.4	7.2	6.7	211.3	226.6	241.8
13. Checkable Deposits	407.7	419.8	431.2	440.8	447.8	454.0	458.3	465.7	472.8	479.5	6.3	8.7	7.4	390.7	424.9	456.5
14. M1	568.1	582.9	596.7	608.8	618.4	627.3	634.6	644.6	654.6	664.5	6.9	8.1	7.1	545.0	589.1	631.2
15. Velocity of M1	6.683	6.602	6.494	6.485	6.490	6.484	6.503	6.507	6.506	6.536	2.3	0.4	-1.1	6.542	6.566	6.496
16. M2	2416.4	2448.2	2503.5	2558.0	2608.3	2655.3	2701.2	2755.6	2809.8	2862.4	7.8	8.9	8.0	2277.7	2481.5	2680.1
17. Velocity of M2	1.577	1.552	1.548	1.543	1.539	1.532	1.528	1.522	1.516	1.517	1.9	-1.3	-1.6	1.575	1.555	1.530
18. Federal Funds	8.48	7.92	7.94	8.27	8.51	8.45	8.02	8.18	7.36	7.14	12.5	-20.3	1.7	10.23	8.15	8.29
19. Prime Rate	10.54	10.20	9.50	9.83	10.17	10.50	10.26	10.00	9.48	9.00	11.6	-16.8	2.2	12.04	10.02	10.23
20. 6 Month T-Bills	8.44	7.55	7.44	7.68	7.96	7.82	7.55	7.62	7.11	6.96	12.2	-20.6	-0.5	9.80	7.78	7.74
21. Seasoned AAA Corp.	12.26	11.63	11.06	11.47	11.63	11.51	11.28	11.51	10.98	10.73	5.6	-8.7	-1.0	12.71	11.60	11.48
22. FHA Mortgage Rates	13.24	12.56	11.95	12.39	12.58	12.43	12.17	12.49	12.01	11.69	2.5	-9.3	-0.9	13.82	12.53	12.42
<u>Miscellaneous</u>																
23. Housing Starts	1795	1770	1801	1792	1725	1591	1551	1569	1597	1635	3.6	1.3	-10.1	1766	1790	1609
24. Single Family Starts	1121	1074	1095	1125	1082	1015	993	1047	1091	1126	3.3	0.1	-6.3	1103	1104	1034
25. Unit Auto Sales	10.86	10.93	10.60	10.53	10.45	10.51	10.07	9.62	9.55	9.63	13.1	3.2	-5.3	10.40	10.73	10.16
26. Civilian Employment	106.232	106.758	107.180	108.030	108.793	109.372	109.934	110.430	111.065	111.703	4.1	1.9	2.4	105.003	107.050	109.632
27. Unemployment Rate	7.3	7.3	7.3	7.2	7.1	7.0	7.0	7.0	6.9	6.8	-21.7	-3.0	-3.5	7.5	7.3	7.0
28. Industrial Production	123.8	124.4	125.2	126.9	127.5	127.7	127.9	128.5	128.5	129.9	11.5	2.7	2.3	121.8	125.1	127.9
29. Asset-Consumption Ratio	3.170	3.173	3.198	3.161	3.106	3.093	3.074	3.022	3.037	3.028	0.2	0.6	-3.2	3.16	3.18	3.07

Table 7.

Georgia State University
College of Business Administration
Economic Forecasting Project
August 1985

U. S. Foreign Trade Accounts for 1983 and 1984 with Forecasts for 1985 and 1986

	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	Percent Change		
					<u>83-84</u>	<u>84-85</u>	<u>85-86</u>
<u>Exports of U.S. Merchandise</u>	<u>200486</u>	<u>217641</u>	<u>216107</u>	<u>229938</u>	<u>8.6</u>	<u>-0.7</u>	<u>6.4</u>
Food & Live Animals	24166	24463	18461	18589	1.2	-24.5	0.7
Beverages & Tobacco	2813	2849	2634	2721	1.3	-7.5	3.3
Crude Materials	18596	20154	15965	16125	8.4	-20.8	1.0
Mineral Fuels	9500	9310	9649	9585	-2.0	3.6	-0.7
Animal & Vegetable Oils	1459	1922	1380	1460	31.7	-28.2	5.8
Chemicals	19751	22309	22807	25500	12.9	2.2	11.8
Manufactured Goods	14852	15133	13680	14056	1.9	-9.6	2.8
Machinery, Trans. Equipment	82563	89904	97980	105765	8.9	9.0	7.9
Miscellaneous Manufacturing	15243	15668	15642	16356	2.8	-0.2	4.6
Commodities, n.e.c.	6975	10098	11853	13295	44.8	17.4	12.2
<u>Imports of Merchandise</u>	<u>258048</u>	<u>325651</u>	<u>347133</u>	<u>369102</u>	<u>26.2</u>	<u>6.6</u>	<u>6.3</u>
Food & Live Animals	15412	17973	18678	19143	16.6	3.9	2.5
Beverages & Tobacco	3408	3653	3940	4358	7.2	7.9	10.6
Crude Materials	9590	11117	10040	10498	15.9	-9.7	4.6
Mineral Fuels	57952	60889	55830	59334	5.1	-8.3	6.3
Animal & Vegetable Oils	495	696	646	690	40.6	-7.2	6.9
Chemicals	10779	13686	16051	19643	27.0	17.3	22.4
Manufactured Goods	34833	46070	46110	48278	32.3	0.1	4.7
Machinery, Trans. Equipment	86131	119078	135706	142928	38.3	14.0	5.3
Miscellaneous Manufacturing	31706	42510	48537	51695	34.1	14.2	6.5
Commodities, n.e.c.	7742	9828	11627	12538	26.9	18.3	7.8
<u>Foreign Transactions</u>							
<u>Total Exports</u>	<u>336.2</u>	<u>364.3</u>	<u>356.6</u>	<u>382.1</u>	<u>8.4</u>	<u>-2.1</u>	<u>7.2</u>
Merchandise Exports	198.6	219.2	216.3	230.2	10.4	-1.3	6.5
Factor Income	84.1	91.7	85.5	94.6	9.1	-6.8	10.6
Other Services	53.5	53.3	54.8	57.3	-0.4	2.9	4.5
<u>Total Imports</u>	<u>344.4</u>	<u>430.8</u>	<u>450.0</u>	<u>481.2</u>	<u>25.1</u>	<u>5.0</u>	<u>6.9</u>
Merchandise Imports	259.0	325.5	344.5	366.6	25.7	5.8	6.4
Factor Income	35.8	48.1	47.8	54.1	34.4	-0.7	13.1
Other Services	49.7	54.9	57.7	60.5	10.5	5.1	4.8
Transfer	8.0	9.6	8.9	10.4	20.3	-7.3	16.8
Government Interest	17.7	19.6	20.3	21.5	10.7	3.7	5.8
<u>Net Foreign Investment</u>	<u>-33.9</u>	<u>-93.4</u>	<u>-122.6</u>	<u>-130.9</u>	<u>----</u>	<u>---</u>	<u>---</u>
<u>Trade Weighted Value of Dollar</u> (3/73=100)	<u>125.3</u>	<u>138.3</u>	<u>144.2</u>	<u>124.4</u>	<u>10.4</u>	<u>4.2</u>	<u>-13.8</u>

Table 8.

Georgia State University
College of Business Administration
Economic Forecasting Project
August 1985

Implicit Price Deflators for Personal Consumption Expenditures for 1985-I and II with Forecasts for 1985-III through 1987-II

	1985				1986				1987		Percent Change			Annual		
	I	II	III	IV	I	II	III	IV	I	II	83-84	84-85	85-86	1984	1985	1986
Durable Goods	179.1	178.8	179.4	180.3	181.1	181.9	183.0	184.1	185.2	186.5	0.8	0.2	1.7	179.0	179.4	182.5
% Change	1.6	-0.7	1.3	2.0	1.8	1.8	2.4	2.4	2.4	2.8						
Automobiles	200.4	200.4	202.5	204.4	205.2	206.0	207.4	209.2	210.3	211.7	1.9	2.1	2.5	197.7	201.9	207.0
% Change	3.9	0.0	4.3	3.8	1.6	1.6	2.7	3.5	2.1	2.7						
Furniture	154.4	153.6	152.9	153.0	153.2	153.8	154.2	155.0	155.7	156.5	-1.0	-1.9	0.4	156.5	153.5	154.1
% Change	-1.5	-2.1	-1.8	0.3	0.5	1.6	1.0	2.1	1.8	2.1						
Other Durables	190.1	190.3	191.7	192.8	194.6	196.8	198.6	200.7	202.9	205.0	1.7	1.2	3.4	188.9	191.2	197.7
% Change	2.3	0.4	3.0	2.3	3.8	4.6	3.7	4.3	4.5	4.2						
Nondurables	220.1	221.2	221.9	222.6	224.7	226.6	228.7	230.4	232.4	234.6	2.2	1.7	2.8	217.8	221.5	227.6
% Change	1.3	2.0	1.3	1.3	3.8	3.4	3.8	3.0	3.5	3.8						
Food	232.4	232.3	232.6	233.4	235.8	239.2	241.4	243.4	245.8	248.1	4.0	1.4	3.1	229.4	232.7	240.0
% Change	2.4	-0.2	0.5	1.4	4.2	5.9	3.7	3.4	4.0	3.8						
Apparel	148.6	149.4	149.6	150.3	151.2	151.8	153.2	154.0	155.2	156.4	1.2	2.9	2.1	145.3	149.5	152.6
% Change	2.2	2.2	0.5	1.9	2.4	1.6	3.7	2.1	3.2	3.1						
Gasoline & Oil	334.1	350.1	351.6	349.6	350.2	347.9	350.7	353.0	353.6	356.6	-1.6	2.0	1.2	339.4	346.4	350.5
% Change	-6.8	20.6	1.7	-2.3	0.7	-2.6	3.3	2.6	0.7	3.4						
Fuel Oil	521.0	536.3	533.9	531.8	526.3	518.2	523.2	529.9	533.9	537.4	2.2	-2.3	-1.2	543.2	530.8	524.4
% Change	-10.1	12.3	-1.8	-1.6	-4.1	-6.0	3.9	5.2	3.1	2.6						
Other Nondurables	225.9	227.7	229.7	231.9	234.3	237.1	239.9	242.4	245.1	248.2	3.2	3.8	4.2	220.4	228.8	238.4
% Change	5.1	3.2	3.6	3.9	4.2	4.9	4.8	4.2	4.5	5.2						
Services	245.2	248.1	251.6	254.8	258.2	261.8	265.4	268.9	272.7	276.0	5.1	5.2	5.5	237.6	249.9	263.6
% Change	5.4	4.8	5.8	5.2	5.4	5.7	5.6	5.4	5.8	5.8						
Housing	231.9	235.4	238.7	242.1	245.4	248.9	252.4	255.8	259.6	263.4	5.6	5.9	5.7	223.9	237.0	250.6
% Change	4.6	6.2	5.7	5.8	5.6	5.8	5.7	5.5	6.1	6.0						
Electricity & Gas	347.0	349.0	354.3	355.9	359.6	362.5	367.1	370.0	373.7	378.7	4.6	3.0	3.8	341.2	351.6	364.8
% Change	3.5	2.3	6.2	1.8	4.2	3.3	5.2	3.2	4.1	5.5						
Household Operations	201.4	203.0	205.4	207.2	208.9	210.8	212.8	214.5	216.5	218.7	6.5	3.6	3.7	197.1	204.3	211.8
% Change	2.2	3.2	4.8	3.6	3.3	3.7	3.8	3.2	3.8	4.1						
Transportation	250.1	253.4	256.0	259.3	262.9	266.3	270.2	274.3	278.0	282.3	4.6	6.4	5.4	239.3	254.7	268.4
% Change	8.8	5.4	4.2	5.3	5.7	5.3	6.0	6.2	5.5	6.3						
Other Services	251.6	255.0	258.7	262.2	266.0	270.0	273.9	277.8	281.9	286.1	4.8	5.3	5.9	243.9	256.9	271.9
% Change	5.9	5.5	5.9	5.5	5.9	6.2	5.9	5.8	6.0	6.1						
Personal Consump Exp	224.6	226.3	228.3	230.3	232.9	235.5	238.2	240.8	243.6	246.4	3.2	3.2	4.2	220.4	227.4	236.9
% Change	3.3	3.1	3.6	3.6	4.6	4.5	4.7	4.4	4.7	4.7						
Consumer Price Index	317.8	321.1	323.3	326.2	329.8	334.0	337.2	340.9	345.0	349.7	4.3	3.5	4.2	311.2	322.1	335.5
% Change	3.1	4.2	2.8	3.6	4.5	5.2	3.9	4.5	4.9	5.6						

Table 9.

Georgia State University
College of Business Administration
Economic Forecasting Project
August 1985

Implicit Price Deflators with Annual Percentage Changes for 1985-I and II with Forecasts for 1985-III through 1987-II

	1985				1986				1987		Percent Change			Annual		
	I	II	III	IV	I	II	III	IV	I	II	83-84	84-85	85-86	1984	1985	1986
<u>GNP Deflator</u>	229.07	230.65	232.46	234.39	236.86	239.39	242.05	244.65	247.65	250.40	3.8	3.7	3.9	223.41	231.64	240.74
% Change	5.4	2.8	3.2	3.4	4.3	4.3	4.5	4.4	5.0	4.5						
<u>Personal Cons. Exp.</u>	224.6	226.3	228.3	230.3	232.9	235.5	238.2	240.8	243.6	246.4	3.2	3.2	4.2	220.4	227.4	236.9
% Change	3.3	3.1	3.6	3.6	4.6	4.5	4.7	4.4	4.7	4.7						
<u>Private Domestic Investment</u>	222.5	222.0	222.6	224.0	225.2	226.4	227.8	229.4	231.3	233.2	3.2	1.2	2.0	220.0	222.8	227.2
% Change	4.6	-0.8	1.1	2.5	2.2	2.1	2.5	2.8	3.4	3.3						
Structures	268.1	270.1	271.7	273.2	274.7	276.5	278.0	279.9	282.0	283.8	0.3	2.4	2.4	264.5	270.8	277.3
% Change	3.4	3.0	2.4	2.2	2.2	2.6	2.2	2.8	3.0	2.6						
Producers' Durables	189.2	188.7	189.9	191.0	191.9	192.9	194.1	195.6	197.1	198.6	1.5	2.0	2.1	186.0	189.7	193.6
% Change	3.5	-1.1	2.6	2.3	1.9	2.1	2.5	3.1	3.1	3.1						
Residential Structures	258.6	257.2	258.2	260.0	261.8	262.8	264.5	266.1	268.6	271.3	3.8	1.1	2.1	255.8	258.5	263.8
% Change	-0.8	-2.1	1.6	2.8	2.8	1.5	2.6	2.4	3.8	4.1						
<u>Exports</u>	251.0	251.5	252.3	253.4	255.4	258.3	260.8	263.6	266.0	268.9	3.5	1.0	3.0	249.5	252.1	259.5
% Change	2.3	0.8	1.3	1.8	3.2	4.6	3.9	4.4	3.7	4.4						
<u>Imports</u>	252.8	255.1	257.5	259.1	261.4	263.5	265.7	268.6	271.9	275.4	-1.9	-3.8	3.4	266.1	256.1	264.8
% Change	-15.5	3.7	3.8	2.5	3.6	3.3	3.4	4.4	5.0	5.2						
<u>Federal</u>	246.4	249.0	251.3	253.1	254.8	256.3	258.2	260.5	265.1	267.5	3.8	3.7	3.0	241.1	250.0	257.5
% Change	4.5	4.3	3.7	2.9	2.7	2.4	3.0	3.6	7.3	3.7						
Federal Purchases	260.2	262.1	264.4	266.8	269.1	271.3	273.8	276.7	279.9	283.4	2.6	2.8	3.6	256.2	263.4	272.7
% Change	3.0	3.0	3.6	3.7	3.5	3.3	3.7	4.3	4.7	5.1						
Federal Value Added	228.8	229.5	230.8	231.4	231.9	232.1	232.4	233.3	240.2	240.5	5.1	4.3	1.0	220.6	230.1	232.4
% Change	13.2	1.2	2.3	1.0	0.9	0.3	0.5	1.6	12.4	0.5						
<u>State & Local</u>	260.1	264.1	268.3	271.9	276.5	280.6	284.6	288.6	293.5	298.0	6.3	5.7	6.2	251.7	266.1	282.6
% Change	5.1	6.3	6.5	5.5	6.9	6.1	5.8	5.7	7.0	6.3						
State & Local Purchases	265.6	269.7	272.5	275.5	278.8	282.3	286.1	289.9	293.7	297.8	4.5	4.1	5.0	260.2	270.8	284.3
% Change	2.4	6.3	4.2	4.5	4.9	5.1	5.5	5.4	5.3	5.7						
State & Local Value Added	256.7	261.1	265.3	269.4	274.9	279.4	283.4	287.6	293.3	298.1	7.6	7.0	6.9	245.8	263.1	281.3
% Change	7.7	7.0	6.6	6.3	8.4	6.7	5.9	6.1	8.2	6.7						

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